



**PHD**

**Institutional and Capability Perspectives on Sustainability in Operations and Supply Management**  
**A Dual Theoretic Analysis of the UK Fashion Sector**

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**Institutional and capability perspectives on sustainability in  
operations and supply management: A dual theoretic  
analysis of the UK fashion sector**

Emma Brandon – Jones

A thesis submitted for the degree of Doctor of Philosophy

University of Bath  
School of Management  
October 2012

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Emma Brandon-Jones

## *Table of contents*

<b>LIST OF TABLES .....</b>	<b>8</b>
<b>LIST OF FIGURES .....</b>	<b>9</b>
<b>ABBREVIATIONS .....</b>	<b>11</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>14</b>
<b>DECLARATION .....</b>	<b>15</b>
<b><u>ABSTRACT .....</u></b>	<b><u>16</u></b>
<b><u>CHAPTER 1. INTRODUCTION .....</u></b>	<b><u>19</u></b>
<b>1.1 DEVELOPMENT OF RESEARCH QUESTIONS .....</b>	<b>24</b>
<b>1.2 CONTEXT OF EMPIRICAL STUDY .....</b>	<b>26</b>
<b>1.3 OVERVIEW OF THESIS STRUCTURE .....</b>	<b>29</b>
<b><u>CHAPTER 2. LITERATURE REVIEW .....</u></b>	<b><u>32</u></b>
<b>2.1 INTRODUCTION .....</b>	<b>32</b>
<b>2.2 LITERATURE REVIEW METHODOLOGY .....</b>	<b>32</b>
<b>2.3 INSTITUTIONAL THEORY .....</b>	<b>36</b>
2.3.1 WHAT IS INSTITUTIONAL THEORY AND WHY SHOULD IT BE USED? .....	36
2.3.2 APPLICATIONS OF INSTITUTIONAL THEORY .....	38
2.3.1 COERCIVE PRESSURES .....	40
2.3.2 MIMETIC PRESSURES .....	44
2.3.3 NORMATIVE PRESSURES .....	46
2.3.4 SUMMARY AND RESEARCH QUESTION .....	48
<b>2.4 RESOURCE-BASED THEORY .....</b>	<b>49</b>
2.4.1 WHAT IS RESOURCE BASED THEORY AND WHY SHOULD IT BE USED? .....	50
2.4.2 APPLICATIONS OF RBT .....	52
2.4.3 INTRA-ORGANISATIONAL SUSTAINABILITY MANAGEMENT CAPABILITY-BUILDING – PRODUCT AND PROCESS .....	54
2.4.4 INTRA-ORGANISATIONAL SUSTAINABILITY MANAGEMENT CAPABILITY-BUILDING – ORGANISATION .....	59
2.4.5 INTER-ORGANISATIONAL SUSTAINABILITY MANAGEMENT CAPABILITY-BUILDING – DIRECT SUPPLY CHAIN, INDIRECT SUPPLY CHAIN AND EXTERNAL RELATIONSHIP .....	61
2.4.6 SUMMARY AND RESEARCH QUESTION .....	66
<b>2.5 INTERACTIONS BETWEEN INSTITUTIONAL THEORY AND RESOURCE-BASED THEORY .....</b>	<b>67</b>
2.5.1 WHY SHOULD A DUAL THEORETICAL PERSPECTIVE BE USED? .....	67

2.5.2 APPLICATIONS OF DUAL THEORY (INSTITUTIONAL THEORY AND RESOURCE-BASED THEORY)...	71
2.5.3 SUMMARY AND RESEARCH QUESTION.....	76
<b>2.6 SUMMARY .....</b>	<b>77</b>
<b><u>CHAPTER 3. RESEARCH DESIGN AND METHODS .....</u></b>	<b><u>79</u></b>
<b>3.1 INTRODUCTION.....</b>	<b>79</b>
<b>3.2 RESEARCH PHILOSOPHY.....</b>	<b>80</b>
3.2.1 ONTOLOGY .....	81
3.2.2 EPISTEMOLOGY .....	81
3.2.3 HUMAN NATURE .....	83
3.2.4 PHILOSOPHICAL CHOICES FOR THIS STUDY.....	83
<b>3.3 RESEARCH METHODOLOGY .....</b>	<b>84</b>
3.3.1 RESEARCH APPROACH .....	84
3.3.2 RESEARCH STRATEGY .....	85
3.3.3 RESEARCH CHOICE.....	89
3.3.4 TIME HORIZON .....	90
3.3.5 DATA COLLECTION METHODS .....	91
3.3.6 RESEARCH SETTING / CHOICE OF INDUSTRY .....	92
3.3.7 UNIT OF ANALYSIS .....	94
<b>3.4 PILOT STUDY RESEARCH METHODS.....</b>	<b>94</b>
3.4.1 PILOT STUDY DESIGN .....	94
3.4.2 PILOT STUDY DATA COLLECTION .....	96
3.4.3 PILOT STUDY DATA ANALYSIS .....	97
<b>3.5 MAIN STUDY RESEARCH METHODS.....</b>	<b>98</b>
3.5.1 MAIN STUDY DESIGN.....	98
3.5.2 MAIN STUDY DATA COLLECTION.....	102
3.5.3. MAIN STUDY DATA ANALYSIS.....	104
<b>3.6 ENSURING QUALITY OF DATA.....</b>	<b>105</b>
3.6.1 ETHICAL CONSIDERATIONS.....	105
3.6.2. RELIABILITY .....	106
3.6.3 VALIDITY .....	106
3.6.4 MINIMISING SOCIAL DESIRABILITY BIAS.....	106
<b>SUMMARY .....</b>	<b>107</b>
<b><u>CHAPTER 4. WITHIN-CASE ANALYSIS .....</u></b>	<b><u>108</u></b>
<b>4.1 INTRODUCTION.....</b>	<b>108</b>

<b>4.2 WITHIN CASE ANALYSIS (RQ1): HOW DO COERCIVE, MIMETIC AND NORMATIVE FORCES INFLUENCE SOSM PRACTICE ADOPTION? .....</b>	<b>110</b>
4.2.1 INSTITUTIONAL PRESSURES – BODEN .....	110
4.2.2 INSTITUTIONAL PRESSURES – ASOS .....	113
4.2.3 INSTITUTIONAL PRESSURES – NEW LOOK .....	115
4.2.4 INSTITUTIONAL PRESSURES – M&S .....	117
4.2.5 SUMMARY OF INSTITUTIONAL PRESSURES IDENTIFIED .....	119
<b>4.3 WITHIN CASE ANALYSIS (RQ2): HOW DOES INTERNAL AND BOUNDARY-SPANNING CAPABILITY-BUILDING INFLUENCE SOSM PRACTICE ADOPTION? .....</b>	<b>120</b>
4.3.1 CAPABILITY-BUILDING – BODEN .....	120
4.3.2 CAPABILITY-BUILDING – ASOS .....	125
4.3.3 CAPABILITY-BUILDING – NEW LOOK .....	132
4.3.4 CAPABILITY-BUILDING - M&S .....	141
4.3.5 SUMMARY OF CAPABILITY-BUILDING IDENTIFIED .....	150
<b>4.4 WITHIN CASE ANALYSIS (RQ3): HOW DO INSTITUTIONAL PRESSURES AND CAPABILITY-BUILDING COMPLEMENT OR SUBSTITUTE ONE ANOTHER IN INFLUENCING SOSM PRACTICE ADOPTION? .....</b>	<b>152</b>
4.4.1 INTERACTIONS – BODEN .....	152
4.4.2 INTERACTIONS – ASOS .....	154
4.4.3 INTERACTIONS – NEW LOOK .....	156
4.4.4 INTERACTIONS – M&S .....	157
<b>SUMMARY .....</b>	<b>160</b>
<b><u>CHAPTER 5. CROSS-CASE ANALYSIS AND DISCUSSION .....</u></b>	<b><u>161</u></b>
<b>5.1 INTRODUCTION .....</b>	<b>161</b>
<b>5.2 HOW DO COERCIVE, MIMETIC AND NORMATIVE FORCES INFLUENCE SOSM PRACTICE ADOPTION? .....</b>	<b>161</b>
5.2.1 COERCIVE PRESSURES .....	161
5.2.2 MIMETIC PRESSURES .....	166
5.2.3 NORMATIVE PRESSURES .....	168
5.2.4 SUMMARY OF INSTITUTIONAL PRESSURES .....	170
<b>5.3 HOW DOES INTERNAL AND BOUNDARY-SPANNING CAPABILITY-BUILDING INFLUENCE SOSM PRACTICE ADOPTION? .....</b>	<b>171</b>
5.3.1 INTRA-ORGANISATIONAL CAPABILITY-BUILDING – PRODUCT AND PROCESS .....	171
5.3.2 INTRA-ORGANISATIONAL CAPABILITY-BUILDING – ORGANISATION .....	175
5.3.3 INTER-ORGANISATIONAL CAPABILITY-BUILDING .....	178

5.3.4 SUMMARY OF CAPABILITY-BUILDING.....	182
<b>5.4 HOW DO INSTITUTIONAL PRESSURES AND CAPABILITY-BUILDING COMPLEMENT OR SUBSTITUTE ONE ANOTHER IN INFLUENCING SOSM PRACTICE ADOPTION? .....</b>	<b>183</b>
5.4.1 SIMULTANEOUS PRESSURES .....	184
5.4.2 INSTITUTIONAL PRESSURES LEADING TO CAPABILITY-BUILDING LEADING TO SOSM PRACTICE ADOPTION .....	186
5.4.3 CAPABILITY-BUILDING LEADING TO SOSM PRACTICE ADOPTION LEADING TO INSTITUTIONAL PRESSURES .....	188
5.4.4 CAPABILITY-BUILDING LEADING TO INSTITUTIONAL PRESSURES LEADING TO SOSM PRACTICE ADOPTION .....	191
5.4.5 INSTITUTIONAL PRESSURES LEADING TO SOSM PRACTICE ADOPTION LEADING TO CAPABILITY- BUILDING.....	194
5.4.6 SUMMARY OF INTERACTIONS .....	195
<b><u>CHAPTER 6. CONCLUSIONS .....</u></b>	<b><u>196</u></b>
6.1 INTRODUCTION.....	196
6.2 HOW DO COERCIVE, MIMETIC AND NORMATIVE FORCES INFLUENCE SOSM PRACTICE ADOPTION? .....	197
6.3 HOW DOES INTERNAL AND BOUNDARY-SPANNING CAPABILITY-BUILDING INFLUENCE SOSM PRACTICE ADOPTION? .....	199
6.4 HOW DO INSTITUTIONAL PRESSURES AND CAPABILITY-BUILDING COMPLEMENT OR SUBSTITUTE ONE ANOTHER IN INFLUENCING SOSM PRACTICE ADOPTION? .....	202
6.5 ACADEMIC IMPLICATIONS/ CONTRIBUTION .....	205
6.6 MANAGERIAL IMPLICATIONS .....	206
6.7 RESEARCH LIMITATIONS .....	207
6.8 FUTURE RESEARCH.....	208
<b><u>REFERENCES .....</u></b>	<b><u>210</u></b>
<b><u>BIBLIOGRAPHY .....</u></b>	<b><u>232</u></b>
<b><u>APPENDICES .....</u></b>	<b><u>241</u></b>
APPENDIX 1: PILOT STUDY INTERVIEW GUIDE .....	241
APPENDIX 2: PILOT STUDY FINDINGS.....	243
INSTITUTIONAL PRESSURES – PILOT STUDY ORGANISATIONS.....	243
CAPABILITY-BUILDING – PILOT STUDY ORGANISATIONS .....	245
INTERACTIONS – PILOT STUDY ORGANISATIONS .....	251

<b>APPENDIX 3: MAIN STUDY INTERVIEW GUIDE .....</b>	<b>253</b>
<b>APPENDIX 4: KEY TO PRACTICE AND INTERACTION FIGURES.....</b>	<b>254</b>



## List of tables

TABLE 1 DISTRIBUTION OF SOSM ARTICLES BY SUSTAINABILITY FOCUS .....	20
TABLE 2 DISTRIBUTION OF SOSM ARTICLES BY THEORY .....	23
TABLE 3 UK FASHION SECTOR (COPIED FROM BRITISH FASHION COUNCIL, 2010).....	26
TABLE 4. SOURCES OF INSTITUTIONAL PRESSURES .....	49
TABLE 5 CHARACTERISTICS OF INSTITUTIONAL THEORY AND RBT .....	70
TABLE 6 RESEARCH DESIGN DECISIONS.....	80
TABLE 7 META-THEORETICAL ASSUMPTIONS ABOUT THE NATURE OF SOCIAL SCIENCE. ....	81
TABLE 8 RESEARCH STRATEGIES.....	86
TABLE 9 COMPARING SINGLE AND MULTIPLE CASE STUDY APPROACHES .....	89
TABLE 10 DATA COLLECTION METHODS.....	91
TABLE 11 METHOD OF CONTACT AND OUTCOMES FOR PILOT STUDY.....	95
TABLE 12 DETAILS OF PILOT STUDY FIRMS .....	97
TABLE 13 COMPANY INFORMATION FOR MAIN STUDY CASE ORGANISATIONS .....	100
TABLE 14 MAIN STUDY - PHASE 1 DATA COLLECTION.....	102
TABLE 15 MAIN STUDY - PHASE 2 DATA COLLECTION.....	103
TABLE 16 OVERVIEW OF ORGANISATIONS' SUSTAINABILITY.....	109
TABLE 17 SUMMARY OF INSTITUTIONAL PRESSURES IDENTIFIED .....	119
TABLE 18 SUMMARY OF CAPABILITY-BUILDING IDENTIFIED .....	151
TABLE 19. PRACTICES WITH THE POTENTIAL FOR COMPETITIVE ADVANTAGE .....	182
TABLE 20 INSTITUTIONAL PRESSURES FOR PILOT STUDY ORGANISATIONS.....	244
TABLE 21 COERCIVE PRESSURES – PILOT STUDY ORGANISATIONS .....	244
TABLE 22 NORMATIVE PRESSURES – PILOT STUDY ORGANISATIONS .....	245
TABLE 23 CAPABILITY-BUILDING – PILOT STUDY ORGANISATIONS.....	250
TABLE 24 INTERACTIONS – PILOT STUDY ORGANISATIONS .....	251

## List of figures

FIGURE 1 DISTRIBUTION OF SOSM ARTICLES BY SUSTAINABILITY FOCUS OVER TIME .....	21
FIGURE 2 FACTORS THAT MAY INFLUENCE SOSM PRACTICE ADOPTION (A) .....	22
FIGURE 3 THE DECLINE OF UK TEXTILE MANUFACTURING (COPIED FROM BRITISH FASHION COUNCIL, 2010) ....	27
FIGURE 4 RETAIL PRICES IN UK FASHION (COPIED FROM BRITISH FASHION COUNCIL, 2010) .....	28
FIGURE 5 METHODOLOGY FOR LITERATURE REVIEW .....	33
FIGURE 6 THREE MAIN PHASES OF THE SEARCH PROCESS .....	36
FIGURE 7 FACTORS THAT MAY INFLUENCE SOSM PRACTICE ADOPTION (B) .....	77
FIGURE 8 THE REAL, THE ACTUAL, AND THE EMPIRICAL (ADAPTED FROM MINGERS, 2001) .....	83
FIGURE 9 RESEARCH APPROACHES .....	84
FIGURE 10 DISTRIBUTION OF SOSM ARTICLES BY RESEARCH STRATEGY (TOTAL REVIEWED 252) .....	88
FIGURE 11 RESEARCH CHOICES .....	90
FIGURE 12 SUSTAINABILITY MATURITY OF FOUR CASE ORGANISATIONS .....	108
FIGURE 13 CAPABILITY-BUILDING - BODEN .....	125
FIGURE 14 CAPABILITY-BUILDING - ASOS .....	131
FIGURE 15 CAPABILITY-BUILDING – NEW LOOK .....	140
FIGURE 16 CAPABILITY-BUILDING – M&S .....	150
FIGURE 17 INTERACTIONS - BODEN .....	153
FIGURE 18 INTERACTIONS - ASOS .....	155
FIGURE 19 INTERACTIONS – NEW LOOK .....	157
FIGURE 20 INTERACTIONS – M&S .....	159
FIGURE 21 SIMULTANEOUS PRESSURES ON SOSM PRACTICE ADOPTION .....	184
FIGURE 22 INSTITUTIONAL PRESSURES LEADING TO CAPABILITY-BUILDING LEADING TO SOSM PRACTICE ADOPTION .....	186
FIGURE 23 CAPABILITY-BUILDING LEADING TO SOSM PRACTICE ADOPTION LEADING TO INSTITUTIONAL PRESSURES .....	188
FIGURE 24 CAPABILITY-BUILDING LEADING TO INSTITUTIONAL PRESSURES LEADING TO SOSM PRACTICE ADOPTION .....	192
FIGURE 25 INSTITUTIONAL PRESSURES LEADING TO SOSM PRACTICE ADOPTION LEADING CAPABILITY-BUILDING .....	194
FIGURE 26 SIMULTANEOUS PRESSURES ON SOSM PRACTICE ADOPTION .....	202
FIGURE 27 INSTITUTIONAL PRESSURES LEADING TO CAPABILITY-BUILDING, LEADING TO SOSM PRACTICE ADOPTION .....	203
FIGURE 28 CAPABILITY-BUILDING LEADING TO SOSM PRACTICE ADOPTION, LEADING TO INSTITUTIONAL PRESSURES .....	204
FIGURE 29 CAPABILITY-BUILDING LEADING TO INSTITUTIONAL PRESSURES, LEADING TO SOSM PRACTICE ADOPTION .....	204

FIGURE 30 INSTITUTIONAL PRESSURES LEADING TO SOSM PRACTICE ADOPTION, LEADING TO CAPABILITY-BUILDING .....	205
FIGURE 31 LONGITUDINAL INTERACTIONS BETWEEN CAPABILITY-BUILDING AND INSTITUTIONAL PRESSURES ...	209
FIGURE 32 SUSTAINABILITY MATURITY OF PILOT STUDY ORGANISATIONS .....	243

## Abbreviations

<i>AMJ</i>	Academy of Management Journal
<i>AMR</i>	Academy of Management Review
<i>BCP</i>	Business Continuity Planning
<i>BMD</i>	Buying, Merchandise and Design
<i>BSE</i>	Business Strategy and the Environment
<i>CEO</i>	Chief Executive Officer
<i>CSR</i>	Corporate Social Responsibility
<i>CSREM</i>	Corporate Social Responsibility and Environmental Management
<i>Defra</i>	Department for Environment, Food and Rural Affairs
<i>DS</i>	Decision Sciences
<i>EBITDA</i>	Earnings Before Interest, Taxation, Depreciation and Amortisation
<i>EMS</i>	Environmental Management System
<i>ERVB</i>	Extended Resource Based View
<i>ESR</i>	Economic Systems Research
<i>ETI</i>	Ethical Trading Initiative
<i>eSCM</i>	e-Supply Chain Management
<i>FSC</i>	Forest Stewardship Council
<i>GSCM</i>	Green Supply Chain Management
<i>HR</i>	Human Resources
<i>IJOPM</i>	International Journal of Operations and Production Management
<i>IJPDLM</i>	International Journal of Physical Distribution and Logistics Management
<i>IJPE</i>	International Journal of Production Economics
<i>IJPR</i>	International Journal of Production Research
<i>ISO</i>	International Standards Organisation
<i>IT</i>	Information Technology
<i>JBE</i>	Journal of Business Ethics
<i>JBL</i>	Journal of Business Logistics
<i>JBR</i>	Journal of Business Research
<i>JCP</i>	Journal of Cleaner Production
<i>JEM</i>	Journal of Environmental Management

<i>JIM</i>	Journal of International Management
<i>JMS</i>	Journal of Management Studies
<i>JOM</i>	Journal of Operations Management
<i>JPSM</i>	Journal of Purchasing and Supply Management
<i>JSCM</i>	Journal of Supply Chain Management
<i>LCA</i>	Life Cycle Analysis
<i>LDPE</i>	Low-Density Polyethylene
<i>LED</i>	Light Emitting Diode
<i>M&amp;S</i>	Marks and Spencer
<i>MD</i>	Management Decision
<i>MS</i>	Management Science
<i>MSOM</i>	Manufacturing and Service Operations Management
<i>NGO</i>	Non-Government Organisation
<i>NRBT</i>	Natural Resource-Based Theory
<i>OEM</i>	Original Equipment Manufacturer
<i>OM</i>	Operations Management
<i>OR</i>	Operations Research
<i>OS</i>	Organization Studies
<i>OSM</i>	Operations and Supply Management
<i>PEFC</i>	Programme for the Endorsement of Forest Certification
<i>POM</i>	Production and Operations Management
<i>QA</i>	Quality Assessment
<i>RBT</i>	Resource Based Theory
<i>REACH</i>	Registration, Evaluation and Authorisation of Chemicals
<i>RFID</i>	Radio Frequency Identification
<i>ROA</i>	Return on Assets
<i>ROI</i>	Return on Investment
<i>RTM</i>	Research – Technology Management
<i>SCM</i>	Supply Chain Management
<i>SCM:IJ</i>	Supply Chain Management: An International Journal
<i>SEDEX</i>	Supplier Ethical Data Exchange
<i>SMJ</i>	Strategic Management Journal
<i>SOSM</i>	Sustainable Operations and Supply Management
<i>SSCM</i>	Sustainable Supply Chain Management

<i>TCE</i>	Transaction Cost Economics
<i>TQEM</i>	Total Quality Environmental Management
<i>TQM</i>	Total Quality Management
<i>TRPartE</i>	Transportation Research Part E
<i>UN</i>	United Nations
<i>VRIN</i>	Valuable, Rare, Inimitable, Non-Substitutable
<i>WWF</i>	World Wildlife Fund

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## **Declaration**

I declare that the work reported in this dissertation is my own. No part of this dissertation has been submitted to any journal for publication or to any university for any degree, diploma or other qualification.

Emma Brandon-Jones

October, 2012



## Abstract

Despite growing interest in sustainable operations and supply management (SOSM) from both academics and practitioners, literature examining the area remains fragmented. This thesis presents the findings of a study investigating the influence of exogenous pressures and endogenous capability-building, independently and interactively, on sustainable operations and supply management practice adoption. Exogenous pressures, such as regulation and consumer demands, may influence the decision to adopt specific SOSM practices. For example, within the fashion industry, media exposés have heightened consumer awareness of unethical practices creating pressure for fashion retailers to address these concerns within their supply chains more fully. Endogenous pressures, in this case relating to capability-building, may also influence the SOSM practices that organisations choose to adopt, such as the implementation of recycling strategies or energy efficiency initiatives which can reduce both the cost and environmental impact of the focal organisation.

This study represents a rare example of dual theory application to sustainable operations and supply management. By combining two theories, the researcher has an opportunity to explore the interactions between the external pressures, explained through institutional theory, and internal capability development, using resource-based theory. This research contributes to the sustainability literature by highlighting the separation of approaches and influences to ethical and environmental practice adoption. For practitioners, it aids the understanding of endogenous and exogenous forces that influence sustainability practice adoption and allows them to determine whether they wish to act in accordance with their industry (compliance) or exceed their competitors' performance in order to pursue competitive advantage. A case-based study has been undertaken within the UK fashion industry. This context is particularly relevant to the sustainability debate due to its size, impact, and increasing concerns regarding sustainability. The study utilises semi-structured interviews alongside secondary data and consisted of a pilot study in twelve micro sustainable fashion organisations and a main study of four larger fashion organisations – Boden, Asos, New Look and M&S. The study seeks answers to the following research questions:

- *RQ1: How do coercive, mimetic and normative forces influence sustainable operations and supply management practice adoption?*

Exogenous forces, which may be coercive (relating to pressures which drive legitimacy such as regulation, stakeholders and cultural expectations), mimetic (relating to a desire to imitate competitors in conditions of uncertainty), or normative (relating to the standardisation of certain practices through professional or educational bodies), may influence SOSM practice adoption. Within this study, coercive forces are most apparent in relation to ethical practice adoption and the emphasis is on governance rather than improving performance or efficiencies. Mimetic pressures influence practice adoption in three organisations considered within the main study, whilst one organisation seeks to create mimetic pressures by becoming the industry standard. Normative pressures are the least apparent within the organisations studied.

- *RQ2: How does internal and boundary-spanning capability-building influence sustainable operations and supply management practice adoption?*

Intra- and inter-organisational sustainability management capabilities may also influence SOSM practice adoption. Product and process sustainability capability-building exists to a certain extent and relates to the use of sustainable direct and indirect materials and internal processes such as recycling; these are focused on the environmental, rather than ethical, dimension of sustainability. Organisational capability-building is more extensive and focuses predominantly on the ethical dimension of sustainability, with all organisations demonstrating commitment through specific employees/ departments and training. Inter-organisational sustainability management capability-building, including direct and indirect supply chain capability-building and external relationships are broadly focused on the ethical dimension of sustainability with an emphasis on the governance of suppliers. Indirect supply chain capability-building is not common within the studied organisations; and external relationship capability-building tends to relate to fund-raising or charity donations.

- *RQ3: How do institutional pressures and capability-building complement or substitute one another in influencing sustainable operations and supply management practice adoption?*

Institutional pressures and capability development may interact and influence SOSM practice adoption in a number of ways. Whilst broadly, ethical practices are more

likely to be motivated by institutional pressures, leading to governance capabilities; and environmental practices are more likely to be motivated by capability-building due to an absence of institutional pressures, this is not always the case. There is a complex relationship between exogenous and endogenous pressures in influencing SOSM practice adoption and practices themselves can also influence the creation of institutional pressures and capability development.

## Chapter 1. Introduction

Sustainable operations and supply management (SOSM) is the management of “business processes to obtain competitive returns on ... capital assets without sacrificing the legitimate needs of *internal and external* stakeholders and with due regard for the impact of [...] operations on *people and the environment*” (Kleindorfer *et al.*, 2005, p489: *emphasis added*). It combines the traditional operations focus on internal capabilities with the recognition that an organisation can only be as sustainable as its (extended) supply chain (Lee and Klassen, 2008; Krause *et al.*, 2009; Pagell and Wu, 2009; Tate *et al.*, 2011). It is an area of growing theoretical and practitioner interest (e.g. Seuring and Müller, 2008; Gunasekaran and Galle, 2012; Walker and Jones, 2012) and, correspondingly, a range of specific SOSM practices have been identified and studied. For example:

- Environmental purchasing (Min and Galle, 1997; Zsidisin and Siferd, 2001; Carter and Rogers, 2008). This relates to making purchase decisions with due consideration to source and scarcity of materials. In the case of the fashion industry, the procurement of organic cotton rather than conventional cotton exemplifies this.
- Use of codes of conduct (Preuss, 2009). This practice relates to the governance of suppliers through the creation of ethical codes of conduct. This allows retailers to monitor suppliers according to these guidelines. The clothing industry commonly utilises the Ethical Trading Initiative’s code of conduct as a baseline.
- Environmental training (Sarkis *et al.*, 2010). This relates to the training of internal employees, and sometimes suppliers, in relation to creating knowledge around environmental concerns and reducing environmental impact. In the fashion industry, this training could relate to energy efficiency training for employees in stores, offices and distribution centres, for example.
- Recycling (Zsidisin and Siferd, 2001). This relates to the collection of waste materials for remanufacturing. In the fashion industry, an example is the recycling of packaging materials to reduce waste.

- Extended supply chain (Pagell and Wu, 2009). This relates to the consideration of a broader meaning of supply chain to incorporate external stakeholders such as NGOs or customers.

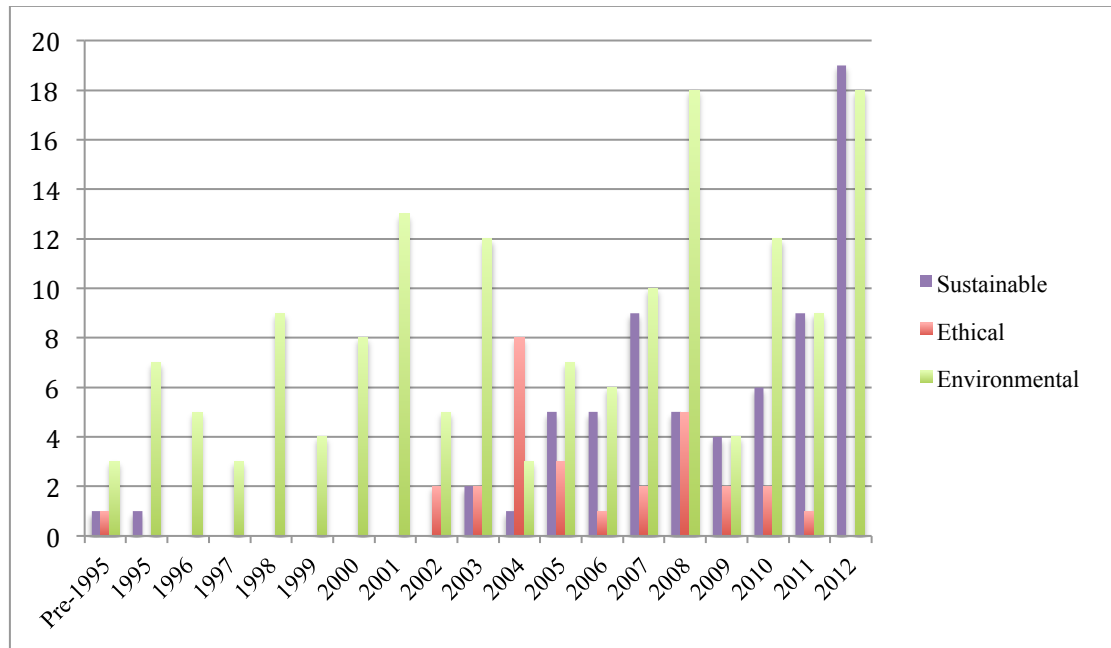
To date however there are limited integrative and conceptually robust insights regarding the broader questions of the SOSM process. Although “environmental and social issues are intertwined” (Wu and Pagell, 2011, p577; Elkington 1994) for example, the majority of SOSM studies have focused on an individual dimension of, typically environmental (Table 1 and Figure 1), sustainability (Seuring and Müller, 2008; Carter and Easton, 2011; Miemczyk *et al.*, 2012). Similarly, although exogenous pressures such as regulation, competition, consumer preferences, and cultural expectations (Tate *et al.*, 2010; Ageron *et al.*, 2011) necessarily impact SOSM practice adoption, research into the reconciliation of internal capability-building and external pressures is still in its infancy (Walker and Jones, 2012). In sum, there is much less understanding of what motivates firms to adopt specific bundles of practice, how the drivers of ethical and environmental practice interact, and the detailed mechanics of adoption. It was seeking to understand these integrative questions that provided the motivation for the research detailed in this thesis.

**Table 1 Distribution of SOSM articles by sustainability focus<sup>1</sup>**

	<b>Environment</b>	<b>Ethics</b>	<b>Both</b>
<b>Number of articles</b>	158	27	67
<b>Examples of topics</b>	Green operations, environmental supply chain management, environmental indicators, environmental purchasing, design for the environment, environmental purchasing, environmental management systems, drivers of green practice adoption	Codes of conduct, corporate social responsibility, purchasing social responsibility, certification, measures of social responsibility	Use of sustainable materials, sustainable sourcing, sustainable operations, sustainable logistics, role of purchasing in sustainable supply chains, impact of sustainability on performance

<sup>1</sup> For this table and others referring to 252 SOSM articles, any articles used for the calculation but not referenced directly in the text are included in the bibliography

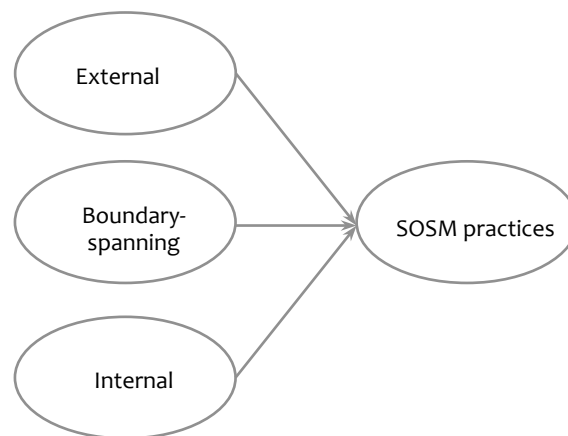
Figure 1 Distribution of SOSM articles by sustainability focus over time



Traditionally, operations management has concentrated on an internal perspective of the organisation with a focus on endogenous capability-building. This has been in order to understand the internal dimensions of an organisation that can lead to competitive advantage and differentiation from competitors. The concept of resources being unique and idiosyncratic to individual organisations means it is important to investigate the phenomena occurring within organisations. However, increasingly OSM research also considers boundary-spanning capability-building. For example, Carter and Rogers (2008) explicitly emphasise the importance of boundary-spanning activities within their definition of SOSM as, “the strategic, transparent integration and achievement of an organization’s social, environmental and economic goals, in the systemic coordination of key *interorganizational business processes* for improving the long-term economic performance of the *individual company and its supply chain*” (p368: *emphasis added*). Although internal operations are fundamental, sustainability research also highlights the importance of inter-organisational capability-building and the benefits that suppliers can provide in terms of sustainability performance (Lee and Klassen, 2008; Tate *et al.*, 2011). The concept of an organisation only being as sustainable as its supply chain (Krause *et al.*, 2009) is central to the notion of SOSM and as such, the traditional operations focus on internal capabilities is extended in

order to consider the supply chain (Ashby *et al.*, 2012; Gimenez *et al.*, 2012), and increasingly the extended supply chain (Pagell and Wu, 2009), which include stakeholders such as NGOs and government. Finally, it is increasingly clear that the environment in which a firm exists affects organisational behaviour. Exogenous pressures exert influences on organisations and their supply chains and it is necessary to investigate these in order to understand their impact on SOSM practice adoption. Such pressures may include regulation, consumer or market pressures, cultural expectations, and pressure from competitors or suppliers (Tate *et al.*, 2010; Ageron *et al.*, 2011). As such, both internal capability-building and external pressures need to be explored in order to understand what motivates the adoption and development of SOSM practices (Walker and Jones, 2012). Figure 2 demonstrates the factors that may influence SOSM practice adoption.

**Figure 2 Factors that may influence SOSM practice adoption (A)**



Research into sustainable operations and supply management has been largely atheoretical to date (Seuring and Müller, 2008; Carter and Easton, 2011, Tate *et al.*, 2012) and this reflects a general need for operations and supply management research to utilise existing theory and create new theory (Choi and Wacker, 2011). Table 2 demonstrates the theories (or lack of theory) utilised within the sustainability studies. It shows that of the 252 SOSM articles considered within this part of the literature review, 79.4% use no discernible theory. Of the theories utilised, institutional theory, stakeholder theory and resource-based theory are the most popular representing between 2.6% and 3.6% of the studies undertaken.

There is potential for operations and supply management scholars more broadly to utilise established organisational theories (Ketchen and Hult, 2007). Whilst studies utilise a single theory in order to investigate or explain certain behaviour, scholars increasingly see value in combining theories in research (Astley and Van de Ven, 1983) and the use of dual theories is still relatively rare in this discipline. Utilising two theories simultaneously allows greater understanding of the subject since it provides a more comprehensive view and more coherent presentation of reality (Astley and Van de Ven, 1983). In order to explore what influences organisations to adopt sustainability practices, an understanding of exogenous pressures and endogenous capabilities is necessary.

**Table 2 Distribution of SOSM articles by theory**

Theoretical perspective	Count	%	Journals
Complex systems theory	1	0.4	JOM
Complexity theory	1	0.4	IJPR
Coordination theory	1	0.4	IJPR
Disruptive innovation	1	0.4	RTM
Dynamic capabilities	1	0.4	JSCM
Grey system theory	1	0.4	SCM:IJ
Innovation diffusion theory	1	0.4	JCP
Input-output theory	1	0.4	ESR
Institutional theory	6	2.4	AMR; BSE; IJOPM; IJPE; IJPR; JEM
Institutional theory and transaction cost economics	1	0.4	JBL
Natural resource-based theory (NRBT)	2	0.8	AMR; SCM:IJ
NRBT and institutional theory	1	0.4	IJPE
NRBT and relational perspective	1	0.4	IJPE
Open systems	1	0.4	AMR
Organisational support theory	1	0.4	JSCM
Resource-based theory (RBT)	9	3.6	AMJ; CSREM; IJPDLM; IJPE; JEM; JSCM; TRPartE;
RBT and institutional theory	6	2.4	JBE; JBR; JEM; JIM; SMJ
RBT and legitimacy theory and institutional theory	1	0.4	JBE
RBT and NRBT	1	0.4	JSCM
RBT and resource dependency theory	1	0.4	IJPR
Schumpeterian economics	1	0.4	IJPDLM
Socio-institutional theory	1	0.4	MD
Stakeholder theory	8	3.2	JBE; JBL; JCP; JMS; JPSM; SCM:IJ
Stakeholder and dynamic capabilities	1	0.4	JOM
Mixed	2	0.8	IJPE; OS
No theory used	200	79.4	
<b>Total</b>	<b>252</b>	<b>100</b>	

Two organisational theories are particularly useful in this regard. The first is institutional theory (DiMaggio and Powell, 1983), which explores three types of pressures exerted on organisations by the external environment. These are coercive (relating to regulation, various stakeholders, and cultural expectations); mimetic



(relating to the influence of competitors' actions); and normative (relating to the increasing professionalisation of practices). Institutional theory is used in order to explain the institutional, social pressures that influence how firms develop and become more homogeneous. It helps to explain how organisations respond to pressures and is useful for exploring issues of adoption and implementation (Braunscheidel *et al.*, 2011). Institutional theory is still under-utilised in the operations and supply management literature but is pertinent in investigating areas such as sustainability or corporate social responsibility. This is due to the fact that these activities are strongly influenced by the external environment in which organisations exist. Increasing concern for the environment means that stakeholders are considering the effect of organisations on the wider world. The domain of sustainability has also introduced the concept of the extended supply chain (Pagell and Wu, 2009) whereby the supply chain is seen to be broader than the traditional perspective, incorporating various stakeholders and extended processes such as reverse logistics or remanufacturing. The second relevant theory is resource-based theory, which explores internal capability-building in relation to improvement. It examines the necessary capabilities in order to create competitive advantage and is prevalent in the literature for explaining inter-firm differences in performance (Hoopes *et al.*, 2003). From a capabilities perspective, two important areas can be identified for further consideration: intra-organisational capabilities and inter-organisational capabilities. Buying organisations may benefit from the environmental performance of their suppliers, for example (Rao and Holt, 2005; Lee and Klassen, 2008). Although Resource-Based Theory has been widely used in operations and supply management, it has rarely been used in conjunction with institutional theory. Exploring the interaction between RBT and institutional theory is therefore an important area for investigation within this topic.

### 1.1 Development of research questions

This study explores the adoption of sustainability practices through the lenses of institutional theory and resource-based theory. Firstly, considering an institutional theory perspective, the research examines the following question: *RQ1. How do coercive, mimetic and normative forces influence sustainable operations and supply management practice adoption?* This question allows the investigation of the influence of institutional pressures on sustainable operations and supply management

practice adoption. These pressures are defined as coercive, relating to regulation and cultural expectations; mimetic, relating to imitation of competitors; and normative, relating to best or common practices (DiMaggio and Powell, 1983). This question focuses largely on the exogenous pressures that influence adoption of SOSM practices. It is important to understand how these pressures influence the adoption of SOSM practices since it will affect how different organisations approach them and the extent to which they develop their practices. It can also explain patterns of homogeneity.

Secondly, considering a resource-based theory capability perspective, the research examines the following question: *RQ2. How does internal and boundary-spanning capability-building influence sustainable operations and supply management practice adoption?* This question allows the investigation of the influence of capability-building on sustainable operations and supply management practice adoption. These capabilities are defined as intra-organisational and inter-organisational (Lee and Klassen, 2008). These are then further broken down to consider the different nature of practices. For intra-organisational capability-building, the research considers product and process, and organisational capability-building; for inter-organisational capability-building, the research considers direct supply chain, indirect supply chain, and external relationship capability-building. This question focuses on the largely endogenous (to the supply chain) pressures driving practice adoption. It is important to understand the influence of internal capability-building on the adoption of sustainability practices because it will influence how organisations might approach these practices heterogeneously.

Thirdly, from a dual theoretical perspective, the research seeks to examine the following question: *RQ3. How do institutional pressures and capability-building complement or substitute one another in influencing sustainable operations and supply management practice adoption?* This question explores the interaction between institutional pressures and capability development to further understand the dynamics at play in influencing sustainable operations and supply management practice adoption. This interaction has rarely been explored in extant literature and yet may help to detangle concepts of homogeneity and heterogeneity in the adoption of sustainability practices. This is important since “there are issues related to the linkage of external pressures from institutional theory to internal capabilities such as those proposed by the resource-based-view that needs to be further investigated” (Sarkis *et al.*, 2011, p8) within sustainable operations and supply management. These research

questions attempt to develop an understanding of the influences behind the adoption of sustainable operations and supply management practices.

## 1.2 Context of empirical study

This study explores the research questions within the empirical context of the fashion sector. Some key background information regarding the industry will be presented followed by a brief rationale for the selection of this industry for the study. Further details will be provided in chapter 3. The UK fashion sector incorporates the entire production process, including the initial sourcing of materials, product design, manufacture, wholesale and retail. Furthermore, it includes the broader functions of marketing, media, creative and education. The UK fashion sector has an economic impact of £37 billion (British Fashion Council, 2010) and of £21 billion direct financial contribution, the majority comes from fashion retail<sup>2</sup> as shown in table 3.

**Table 3 UK fashion sector (Copied from British Fashion Council, 2010)**

(£mns)	RETAIL	WHOLESALE	MANUFACTURING	TEXTILES	TOTAL
Footwear	1761	375	116	6	2259
Men's	2884	613	381	66	3945
Women's	4523	962	606	99	6189
Children's	1831	339	194	34	2398
Cosmetics/ Beauty	464	646	266	2	1377
Jewellery & Watches	1247	391	242	3	1884
Accessories	465	99	48	9	620
Luggage & Bags	241	57	125	2	424
Hair	262	62	228	1	552
Lingerie	623	132	50	7	813
<b>Total</b>	<b>14300</b>	<b>3675</b>	<b>2257</b>	<b>229</b>	<b>20461</b>

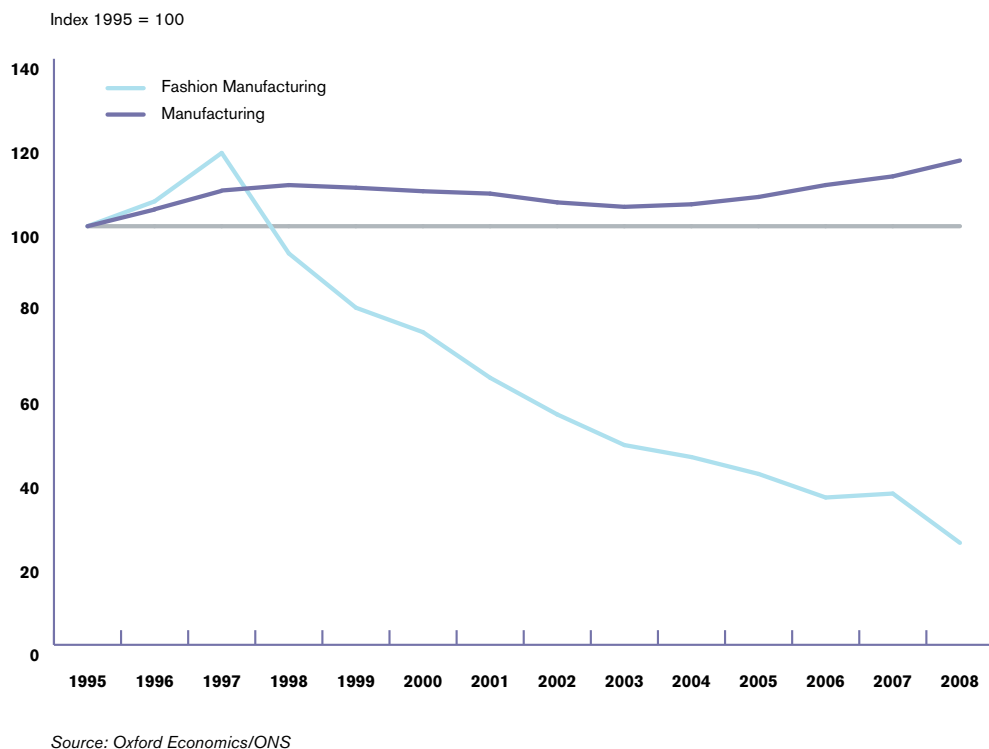
In 2009, there were approximately 816,000 people employed by the industry, predominantly in retail (British Fashion Council, 2010). Due to its impact and scale, the retail function will be the predominant focus of this study. The nature of the industry has changed over the past fifteen to twenty years due to three specific

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<sup>2</sup> Based on 2009 data

phenomenon: the increased far-shore outsourcing of manufacturing; the growing sensitivity to cost; and the rising awareness of consumers around the corporate social responsibility agenda (British Fashion Council, 2010). The first of these issues relates to the loss of the UK textile manufacturing industry. Figure 3 demonstrates the disintegration of the UK manufacturing of textiles and fashion. Since 1997, the manufacturing of textiles in the UK has decreased significantly and this is largely due to the trend for outsourcing products from emerging markets such as the Far East (de Brito *et al.*, 2008). The “race to the bottom” reflects organisations desire to find low-cost labour. However, this comes at another price since these countries are less well regulated.

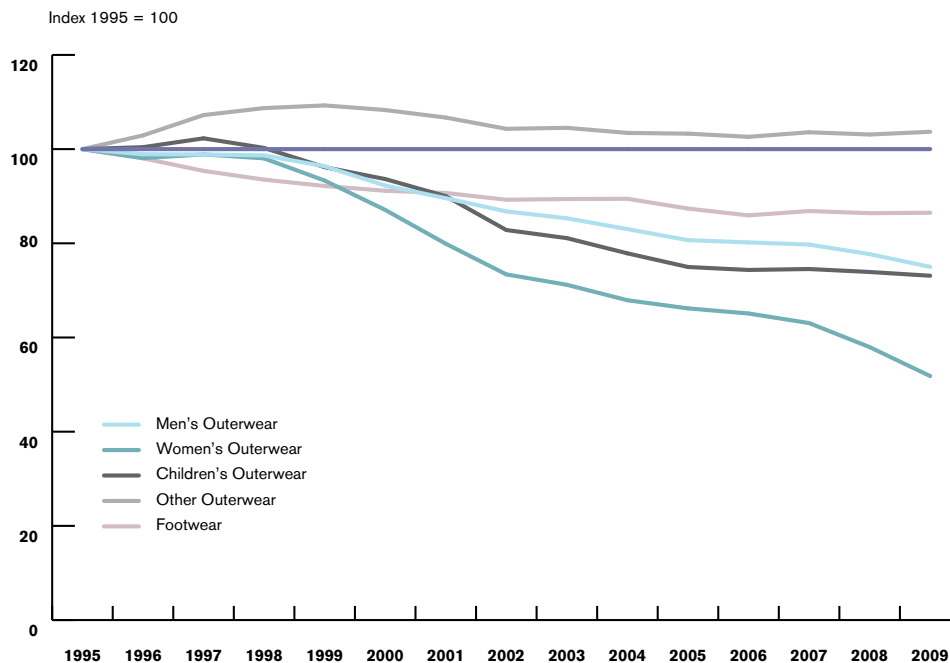
**Figure 3 The decline of UK textile manufacturing (Copied from British Fashion Council, 2010)**



The second of these issues demonstrates that consumers are becoming more price sensitive, partially driving organisations to outsource from far-shore locations. Although UK spending on fashion items has increased since 1999, the cost of individual items purchased has dropped (British Fashion Council, 2010). Figure 4 shows the decrease in retail prices for outerwear. What is most significant is the decrease in prices for women’s goods and this can be considered in conjunction with

the rise of “fast fashion.” This is a phenomenon whereby fashion clothing is provided cheaply with new ranges available as often as possible through an increasing number of “seasons” (Bruce and Daly, 2006). Young women increasingly perceive fashion, where new trends are available at low prices, as a disposable commodity (de Brito *et al.*, 2008).

**Figure 4 Retail prices in UK fashion (Copied from British Fashion Council, 2010)**



Source: ONS

The third of these issues, which is in conflict with the first two, is the rise of awareness relating to sustainability. However, this is still in its infancy. A central dilemma in relation to this is whether fast fashion can be reconcilable with sustainability. The increased level of outsourcing, speed of product changes, and heightened price sensitivity mean that fashion retailers are faced with a challenge if they are to become more sustainable and leads to the question of what are the motivating factors influencing them to adopt sustainable practices. Defra’s recent studies<sup>3</sup> explore impacts of garments across their life cycle; investigate consumers’ knowledge and

<sup>3</sup> *Mapping of Evidence of Sustainable Development Impacts that Occur in Life Cycles of Clothing* (Madsen *et al.*, 2007), *Public Understanding of Sustainable Clothing* (Fisher *et al.*, 2008), and *Sustainable Clothing Action Plan* (2010)

attitude towards sustainable clothing; and define stakeholder actions with regard to, for example, improving environmental performance; education; how to create pressures for sustainable clothing; and how to increase supply chain traceability, respectively. They find that consumers are still not knowledgeable about the concept of environmentally conscious fashion. However, fashion retailers are engaging with sustainability and it is increasingly important to understand why this is.

Due to the nature of this research and the theoretical perspectives being utilised, it is important to have a single-industry setting in order to be able to make comparisons between the influence of institutional pressures and capabilities on sustainable operations and supply management practice adoption. Within this sector, there is increasing awareness of sustainability and it is of concern to the industry as well as government and consumers (British Fashion Council, 2010). “In the short-term, it is likely that this ‘movement’ will be primarily driven by government and key cross-sector organisations, in consultation with consumers” (British Fashion Council, p86) but is this the case? Since “a company is no more sustainable than its supply chain” (Krause *et al.*, 2009, p18), it is important to consider intra- and inter-organisational capability-building rather than focus solely on the traditional internal operations. Internal capabilities (intra-organisational) and boundary-spanning capabilities (inter-organisational) are both necessary in order to improve the overall sustainability performance of a supply chain, in the same way that “environmental and social criteria have to be integrated in the performance objectives for single companies but also for the management of the whole supply chain” (Ageron *et al.*, 2011, p2). If organisations within this complex industry find it possible to implement sustainability practices, it is likely that other sectors will be able to as well (Forman and Jørgensen, 2004).

### 1.3 Overview of thesis structure

The structure of the thesis is now outlined. Chapter 2 reviews the literature relating to sustainable operations and supply management (SOSM), institutional theory and resource-based theory. Firstly, it explains the method used to identify the relevant literature for this study. Secondly, it examines institutional theory in detail and explores the three institutional pressures (coercive, mimetic and normative) in relation to how they have been applied to operations and supply management (OSM) and sustainable operations and supply management (SOSM). Thirdly, it explores

resource-based theory in detail and examines the intra-organisational (internal) and inter-organisational (boundary-spanning) capabilities in relation to their application to OSM and SOSM. Finally, it considers how the two theories have been applied together in OSM and SOSM.

Chapter 3 explores the key decisions made in relation to research design and strategy utilised for the study. Firstly, it outlines the research philosophy informing this study including ontology, epistemology, and human nature. It then considers methodological issues namely, research approach, strategy, choice, time horizon, data collection methods used, the rationale behind industry selection, and unit of analysis. This is followed by a detailed discussion of the approach taken for the pilot study and the main study respectively, including design, data collection, and analysis. Finally, the chapter considers quality of the data, including ethical considerations, reliability, validity, and minimisation of social desirability bias.

Chapter 4 presents the within-case analysis for the main study sequentially in relation to the three research questions. This begins with analysis relating to the first research question: *How do coercive, mimetic and normative forces influence SOSM practice adoption?* This question is examined for each of the four case organisations in the main study: Boden, Asos, New Look and M&S. The order of the cases reflects the maturity of sustainability practices adopted within the organisations, from relatively immature to relatively mature. The chapter then moves onto analysis relating to the second research question: *How does internal and boundary-spanning capability-building influence SOSM practice adoption?* Finally, the chapter investigates the third research question: *How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?*

Chapter 5 compares and discusses the findings from the analysis chapter in relation to the three research questions. Firstly, it discusses the cross-case findings and implications relating to the institutional pressures exerted on the organisations studied in relation to their sustainability practice adoption. Secondly, it discusses the cross-case findings in relation to capability-development of sustainability practices. Finally, it discusses the cross-case findings relating to the interactions between institutional pressures and capability-building in affecting SOSM practice adoption.

Chapter 6 draws conclusions from the study around the influence of institutional pressures, capability-development, and the interaction between these two areas. It

begins by discussing the findings relating to coercive, mimetic and normative pressures and moves on to discuss the findings in relation to intra- and inter-organisational practices. The chapter then turns to a discussion around the interaction between these two elements of influence. Academic and managerial implications of the study are presented, followed by acknowledgement of the limitations of the research. The chapter concludes by outlining areas for future research.



## Chapter 2. Literature Review

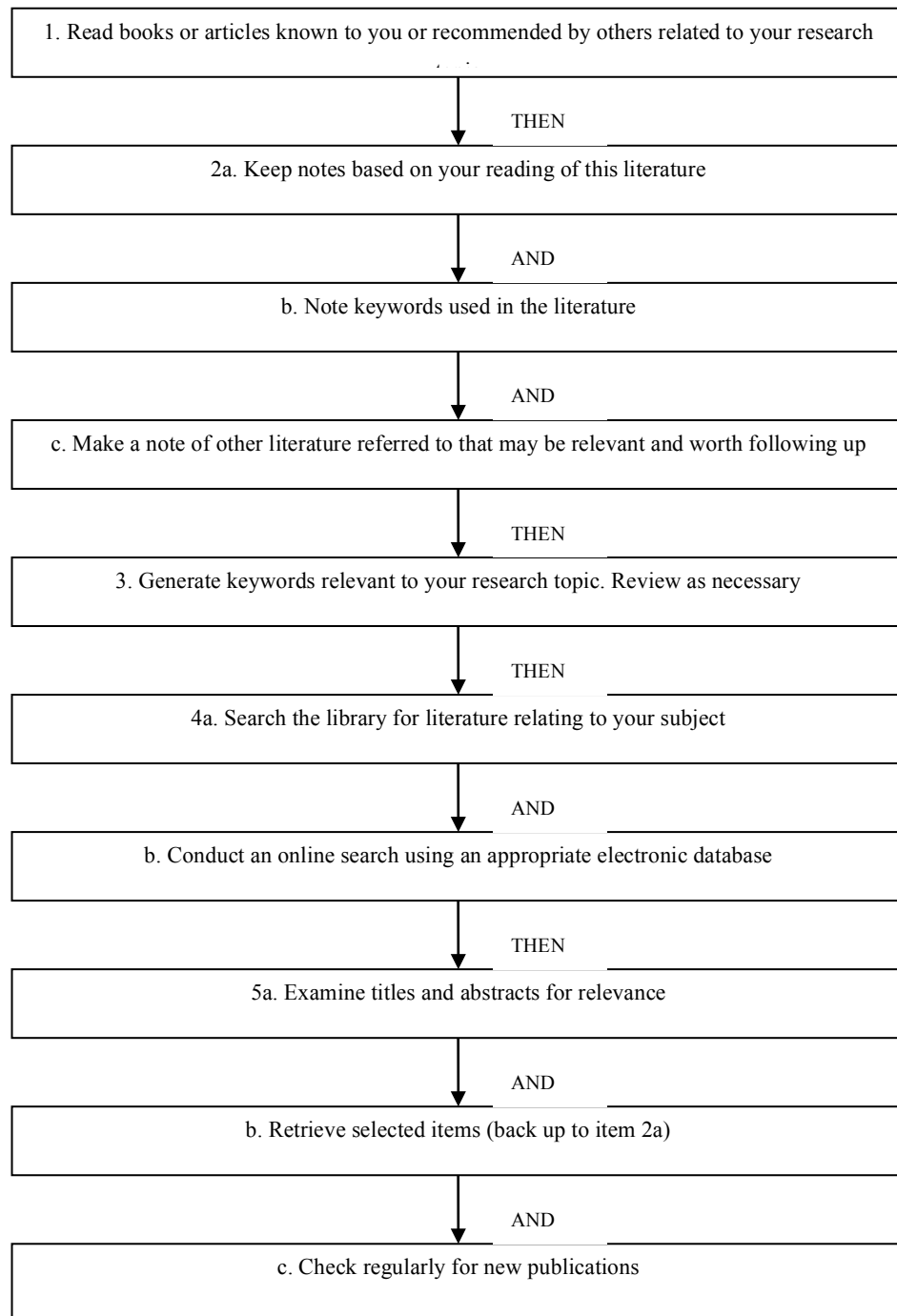
### 2.1 Introduction

This chapter reviews the literature relating to sustainable operations and supply management (SOSM), institutional theory and resource-based theory. Section 2.2 explains the method used to identify the relevant literature for this study. Section 2.3 examines institutional theory in detail and explores the three institutional pressures (coercive, mimetic and normative) in relation to how they have been applied to OSM and SOSM. This leads to research question 1: ***How do coercive, mimetic and normative forces influence SOSM practice adoption?*** Section 2.4 explores resource-based theory in detail and examines the intra-organisational (internal) and inter-organisational (boundary-spanning) capability-building in relation to their application to OSM and SOSM. This leads to research question 2: ***How does internal and boundary-spanning capability-building influence SOSM practice adoption?*** Finally, section 2.5 considers how the two theories have been applied together in OSM and SOSM. This leads to research question 3: ***How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?***

### 2.2 Literature review methodology

The review of the three key areas of literature followed the method outlined in Bryman (2008), as demonstrated in figure 5.

Figure 5 Methodology for literature review



Adapted from Bryman, (2008), p102.

Therefore known or recommended texts were considered initially, for example, SOSM papers such as Hart (1995), institutional theory papers such as DiMaggio and Powell (1983) and resource-based theory papers such as Barney (1991). Keywords were then

identified and structured literature reviews looking at 12 core OSM journals were carried out.

Utilising studies on the quality of different OSM journals (Saladin, 1985; Barman *et al.*, 1991; Vokurka, 1996; Soteriou *et al.*, 1998; Rungtusunatham *et al.*, 2003a; Shah and Goldstein, 2006) and the opinions of academics within the OSM field, the core journals were identified as Journal of Operations Management (JOM), Management Science (MS), Decision Sciences (DS), International Journal of Operations and Production Management (IJOPM), International Journal of Production Economics (IJPE), Operations Research (OR), International Journal of Production Research (IJPR), Production and Operations Management (POM), Manufacturing and Service Operations Management (MSOM), Journal of Supply Chain Management (JSCM), Journal of Purchasing and Supply Management (JPSM) and Supply Chain Management: an International Journal (SCM:IJ). These were then searched for relevant articles. Other sources were utilised where necessary. The abstracts of any extra articles were then read and considered in terms of relevance.

In addition, cited works that appeared relevant were then reviewed along with those that were found in the searches relating to green, ethic\*<sup>4</sup>, environment\*, and social and sustain\* within OSM. This snowballing technique was very useful. By not focusing purely on the search terms, a broader range of articles that were relevant for the study was discovered. The keyword search for social was the most problematic due to the fact that the word 'social' is interpreted and exploited in a number of different ways, many of which are not relevant for this research. Examples of issues covered include: health and safety, corruption, and bribery. However, for this study, ethics was considered more in terms of labour standards. Relating to this point, a number of articles focusing on purchasing social responsibility have been excluded from the study since they apply a broader meaning of ethics.

A similar issue arose with the ethic\* search which identified articles relating to business ethics in a broader sense by exploring issues such as corruption, bribery or fraud which, although important, is beyond the scope of the current study. From these searches it is apparent that what is regarded as sustainable supply chain management needs to be bounded. Within green or environment\*, papers that explored very specific

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<sup>4</sup> The use of ethic\* is to allow searches to find words such as ethical and ethics.

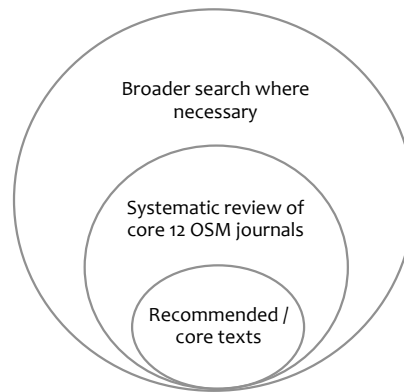
topics such as: closed loop supply chains, end of life, remanufacturing and life cycle analysis were excluded. These are also beyond the remit of the present study.

For institutional theory, the term “institutional theory” was searched for in the identified journals. Due to the relatively small number of articles found, “institution(al)” was then searched for using the same sources. The abstracts of any extra articles were then read and considered in terms of relevance. A large number were not relevant due to the use of the word institution(al) meaning of the institution, or relating to “institutional environment” rather than institutional theory. Other articles were duplicates from the previous search. For RBT, the terms “resource-based theory” and “resource-based view” were searched for. RBT has been used more extensively than institutional theory within the OSM literature.

In line with the structured reviews of institutional theory and resource-based theory, OSM journals were reviewed for articles combining both theories. The initial search included (“resource-based theory” OR “resource-based view”) AND “institutional theory” in keywords, the abstract, and then all fields. Although both theories have been used independently to a limited extent in SOSM research, they have rarely been used together in this context (Clemens and Douglas, 2006; Sarkis *et al.*, 2011). Given the limited number of articles found within the previous search relating to the use of institutional theory AND resource-based theory in core OSM journals, a broader search was carried out in relation to their combined use in SOSM research. Within this context and even sustainability more generally, only a small number of academics adopt the dual theoretical perspectives of institutional theory and RBT.

The searches were broadened where necessary, for example in finding that institutional theory is fairly under-utilised in operations and supply management journals, the search was widened. Similarly, the SOSM search was broadened to cover more topic-focused journals such as Journal of Business Ethics and Journal of Cleaner Production. Figure 6 outlines the three main phases of the search process. Of 252 SOSM articles examined for this study, only 6 combined these two theories demonstrating that there is a paucity of research within the OSM field and SOSM field combining the theoretical perspectives of institutional theory and resource-based theory. This suggests that the opportunity to apply a dual theoretic perspective to SOSM research exists.

Figure 6 Three main phases of the search process



## 2.3 Institutional theory

This section defines institutional theory before examining its application within OSM and SOSM literature. It then explores coercive, mimetic and normative pressures in more detail before summarising and introducing the first research question.

### 2.3.1 What is institutional theory and why should it be used?

Institutional theory has been identified as having potential value to OSM scholars (Ketokivi and Schroeder, 2004) because “arguments from institutional theory can contribute to a better understanding of the social context of OM and supply chain management strategies” (Rogers *et al.*, 2007, p569). This focus on the social, exogenous context is emphasised by Scott (1987): “institutionalization is better viewed as the social process by which individuals come to accept a shared definition of reality” (p496). Therefore, institutional theory is used in order to explain the institutional, social pressures that influence how firms develop and become more homogeneous. It helps to explain how organisations respond to exogenous pressures and is useful for exploring issues of adoption and implementation (Braunscheidel *et al.*, 2011). However, this theory has not been extensively used within the discipline of operations and supply chain management, which leads to possibilities for research seeking to understand the exogenous factors that influence specific practice adoption.

One of the key advantages of using institutional theory is that it takes the external context into account (Zhang and Dhaliwal, 2009) and allows researchers to consider the context or industry environment in which an organisation exists. The use of institutional theory is also often associated with legitimacy building as “it is important to understand how pressures to maintain external legitimacy are dealt with internally

by operations managers” (Rogers *et al.*, 2007, p557). This signifies that the traditional focus of operations management may broaden to incorporate balancing internal operational priorities with external ones governed not necessarily by economic rationale but by a societal one. Using the institutional theory lens is a useful approach to explaining why organisations adopt certain practices and how homogeneity develops within an industry (Braunscheidel *et al.*, 2011).

It is important to identify the type of institutional theory being utilised in a study since the concept has been used in a number of ways within the literature (Ketokivi and Schroeder, 2004). As also noted in Karjalainen (2013), there are two types of institutional theory utilised in the operations and supply management literature – the sociological perspective which is usually based on the work of DiMaggio and Powell (1983) and the economic perspective which is heavily influenced by Haunschild and Miner (1997). The sociological perspective relates to organisational legitimacy and the process of isomorphism (Zsidsin *et al.*, 2005) whilst the economic perspective is interested in how organisations imitate one another in order to improve their performance economically (Haunschild and Miner, 1997). The most commonly utilised of these two perspectives within the OSM literature is the sociological perspective, which provides a broader definition of the pressures influencing organisational behaviour, taking into account societal pressures as well as financial ones.

Within the sociological perspective utilised in this study, institutional theory is focused on the “pursuit of legitimacy” (Zsidsin *et al.*, 2005, p3410) where organisations pursue certain objectives or adopt certain practices in order to satisfy the needs of exogenous stakeholders (Zhu *et al.*, 2010). This relates to recent research that has found that social, rather than economic, factors are key pressures behind practice adoption (Zhang and Dhaliwal, 2009; Lo *et al.*, 2011). Institutional theory emphasises the importance of the business environment in terms of impacting on organisational behaviour and practice adoption. The use of this theory within OSM literature means that the traditional focus of operations management – an internal perspective – is expanding to consider the supply chain and external stakeholders (Pagell and Wu, 2009) since organisations do not exist in a vacuum but are influenced by exogenous contextual factors.

Institutional theory asserts that organisations are influenced to act in similar ways by a number of different pressures which lead them to become more homogeneous, a

process called isomorphism or “convergence” (DiMaggio and Powell, 1983; Grewal and Dharwadkar, 2002). Therefore this theory is used to understand why organisations’ practices become increasingly similar and explains this through the identification of three disparate but closely related pressures. These pressures have been categorised as coercive, mimetic and normative (DiMaggio and Powell, 1983). Coercive pressures are both formal and informal, exerted on organisations by societal cultural pressures as well as by other organisations upon which they rely. Therefore, coercive pressures can be regulatory as well as informal, in terms of consumer pressure or stakeholder pressure. Mimetic pressures tend to emerge from conditions of uncertainty which lead organisations “to model themselves after similar organizations in their field that they perceive to be more legitimate or successful” (DiMaggio and Powell, 1983, p152) and this helps to reduce the strategic gaps between them (Darnall and Edwards Jr, 2006). This imitation of perceived success drives homogeneity between organisations in an industry. Normative pressures emerge from increased professionalisation. These normative pressures can emerge both internally and externally to the organisation. The sources of professionalisation are the formal education or training of people within a specific industry or role; and the growth of professional networks that span organisations and lead to intra-industry learning. These two areas consist of education of professionals – where universities or professional bodies teach a certain approach, and networks where members in similar job roles share practice. These three areas will be explored in further detail in the sections below.<sup>5</sup>

### 2.3.2 Applications of institutional theory

Within the 12 core OSM journals, institutional theory has been applied to a variety of different subjects including, but not exclusively: Total Quality Management (Sila, 2007; Martínez-Costa *et al.*, 2008), ISO 9000 (Martínez-Costa *et al.*, 2008; Gopal and Gao, 2009; Nair and Prajogo, 2009), technology adoption (Lai *et al.*, 2006; Zhang and

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<sup>5</sup> One issue in relation to the division of these three pressures within the literature review is the fact that a number of surveys carried out which utilise institutional theory group items into only one construct and do not make the distinction between the three types of pressure (Karjalainen, forthcoming 2013). This also reflects DiMaggio and Powell’s (1983) notion of the three pressures not necessarily being “empirically distinct”

Dhaliwal, 2009; Liu *et al.*, 2010a), and supplier development/relationships (Rogers *et al.*, 2007; Koulikoff-Souviron and Harrison, 2008; Su *et al.*, 2008; Cai *et al.*, 2010). The focus of these studies is often on practice adoption and the factors that motivate adoption (e.g. Barratt and Choi, 2007; Liu *et al.*, 2010a; Huang *et al.*, 2010). The theory is also used in order to understand the relationship between motivational influences and performance (e.g. Gopal and Gao, 2009; Lo *et al.*, 2011). Environmental issues have been explored using this theoretical perspective (Zhu and Sarkis, 2007; Kumar and Putnam, 2008; Miemczyk, 2008; Sarkis *et al.*, 2010; Wu *et al.*, 2012) and it has been identified that exogenous, institutional pressures drive organisations to adopt SOSM practices (Tate *et al.*, 2010; Ageron *et al.*, 2011).

Miemczyk (2008) finds that institutional pressures may actually constrain options available to organisations in the context of end-of-life product recovery, therefore limiting capability-building and the potential for competitive advantage. This suggests that exogenous pressures may act as barriers to organisational value creation. This study identifies that “institutional forces represent not just pressures to carry out certain actions but also constraints on existing processes and systems (but perhaps opportunities for first movers)” (p281). These constraints are perceived to largely be in relation to regulatory pressures. The study also demonstrates that the seeking of legitimacy may make decision-making more complex since organisations are not necessarily seeking the “optimum solution for minimising costs or maximising revenue” (p281). Therefore the role of institutional pressures in regards to SOSM needs to be understood further in order to understand why organisations behave as they do.

Regulatory, societal and resource pressures have been identified as driving adoption of reverse logistics practices and a focus on ecological sustainability (Kumar and Putnam, 2008). However, there is an understanding that further pressures will need to emerge if remanufacturing is to be more broadly accepted. Therefore it is important to consider the level of maturity of these pressures in relation to SOSM practice adoption within a given industry.

Institutional pressures have been shown to be the pressures that most strongly influence CSR strategies of firms across a range of industries (Tate *et al.*, 2010). This analysis of CSR reports demonstrates the importance of addressing the needs of multiple stakeholders. It also considers both the environmental dimension of SOSM, for example organisations seeking their suppliers to comply with their environmental



standards; and the ethical dimension of SOSM, for example the necessity of sharing expectations about working standards. Despite this homogeneity in terms of concern about stakeholders needs, clear differences have been recognised within different industries suggesting that sustainability concerns may be industry-specific (Tate *et al.*, 2010). Specific institutional pressures apply to specific industries since conditions such as the extent of regulations, and the nature of consumer pressures, for example, will be consistent and therefore the pressures exerted on organisations will be comparable. At the organisational or plant level, these pressures may be responded to in a variety of ways, however (Delmas and Toffel, 2004).

Institutional theory is still under-utilised in the domain of operations and supply management (Karjalainen, 2013) and this may help to explain why there is more evidence of coercive pressures presented in the following sections, rather than mimetic or normative. Where conceptual studies have identified drivers or enablers of SOSM (e.g. Walker and Jones, 2012), these have tended to focus on the broader range of coercive pressures, or not delineated the differences between coercive, mimetic and normative pressures (e.g. Prajogo, 2011).

### **2.3.1 Coercive pressures**

Coercive pressures relate to regulation and therefore compliance; cultural expectations; the needs of shareholders and customers (or market forces); and further stakeholders such as community groups (DiMaggio and Powell, 1983). In addition, they concern the desire for legitimacy in the view of society (Zsdisin *et al.*, 2005). These pressures have been identified in relation to the adoption of a number of business practices (Zhang and Dhaliwal, 2009; Braunscheidel *et al.*, 2011) with purchasing and supply sustainability practice adoption particularly affected by the need to comply with regulatory standards (Giunipero *et al.*, 2012). Compliance means that organisations can increase their legitimacy in light of societal pressures and avoid negative measures such as fines (Ageron *et al.*, 2011).

A number of studies identify regulation as an important motivating factor for practice implementation (for example, Forman and Jørgensen, 2004; Zhu *et al.*, 2005; Zsdisin *et al.*, 2005; Kassinis and Soteriou, 2009; Ageron *et al.*, 2011; Walker and Jones, 2012). Jennings and Zandbergen (1995) identify regulation as the main motivating factor behind the adoption of environmental management practices and it is

often perceived as central to the implementation of environmental programs (Zhu *et al.*, 2005, Zhu and Sarkis, 2006 and Zhu *et al.*, 2007) while OEM's green purchasing often occurs as a result of regulatory influences (Nagel, 2003). This pressure can also encourage firms to perform better environmentally, especially with regards to green purchasing and investment recovery (Zhu and Sarkis, 2007). Castka and Balzarova (2008) suggest that government support or pressure is also powerful in terms of the adoption of standards and practices by firms. Regulation is a key pressure behind the adoption of waste reduction initiatives since developing economies are increasingly adding further legislation (Simpson, 2012).

Zhu and Sarkis (2007) find that regulatory pressures can influence the adoption of green purchasing practices and subsequently improve environmental, but not economic, performance. The existence of regulatory pressures improves the quality of environmental performance for these organisations, in contrast to organisations which do not have regulatory pressure exerted on them. Theyel (2001) state that environmental performance is of interest to organisations for reasons including regulation, and public image. This can be extended to the notion of legitimisation and compliance (Bansal and Roth, 2000), suggesting that complying with regulation alone is not enough to make a firm appear responsible. In order to be perceived as legitimate, organisations must meet the needs of their customers.

Cultural expectations and stakeholder pressure have been identified as another form of coercive pressure influencing the adoption of SOSM practices. In fact, CSR can be seen as the embodiment of societal expectations (Tate *et al.*, 2010). Pressures from customers (Forman and Jørgensen, 2004; Zsidisin *et al.*, 2005; Braunscheidel *et al.*, 2011; Walker and Jones, 2012); suppliers (Walker and Jones, 2012); and external stakeholders (Zsidisin *et al.*, 2005; Walker and Jones, 2012) all exist in relation to SOSM. Forman and Jørgensen (2004) identify “public debate, avoidance of bad reputation, market opportunities and customer demand” (p60) as important influences on environmental supply chain management within the textiles sector whilst Zsidisin *et al.* (2005) find evidence of four coercive forces for business continuity planning in three case studies across different industries – these are created by customers, government, external stakeholders (insurance companies) and corporate directives. Braunscheidel *et al.* (2011) find some evidence that coercive pressures help drive the adoption of Six Sigma. Within four of the seven cases in various manufacturing industries, coercive pressure was found to influence the adoption of Six Sigma. In this

study, the coercive pressures takes the form of customer pressure since regulators or external stakeholders would not influence the adoption of a quality management practice such as this. Therefore the nature of coercive pressures may vary according to the practices under consideration.

Liu *et al.* (2010a) find that coercive pressures, which they identify in relation to customers and suppliers, are significantly linked to the intention to adopt eSCM. They find that coercive pressures affect organisations less where flexibility is an important objective than for those where control is important. The adoption of innovative practices are found to be heavily influenced initially by institutional pressures but organisational culture is also a relevant factor. Zhu and Sarkis (2007) find that market pressures (which they define as normative, but are seen as coercive within the current study) can have moderating effects on certain GSCM practices and performance measures. For example, when market pressures lead to organisational adoption of green purchasing and eco-design, it improves their environmental performance.

Not all studies agree that regulation is the main coercive pressure behind SOSM, as in some cases the market sector (customer) is seen as more important (Carter and Carter, 1998). For example, suppliers who embrace environmental initiatives tend to do so as they perceive a possible competitive advantage and recognise the customer demand for such initiatives (Forman and Jørgensen, 2004). Customers, and more broadly stakeholders, are also sources of coercive pressure and stakeholders are frequently identified as important drivers of SOSM practice adoption (Zhu *et al.*, 2005; Forman and Jørgensen, 2004). This pressure has been seen as the main driver behind ‘corporate environmental responsibility’, focusing on pressure for environmental improvement rather than ethical improvement (Kovács, 2008; Carter and Jennings, 2004). It has also been referred to as coercive social responsibility (Castka and Balzarova, 2008) and can come from different stakeholders both within the supply chain and society in general.

Ageron *et al.* (2011) conclude that coercive pressures exist in the forms of regulation, customer demand and external stakeholders. Companies have reported that their sustainability strategies are partially created in order to meet stakeholder expectations (Handfield *et al.*, 2005). In conjunction with stakeholder pressure, an improved public image can be a driver of environmental performance (Theyel, 2001; Tsoufas and Pappis, 2008; Kumar *et al.*, 2012). Improved reputation and image through socially responsible behaviour can lead to competitive advantage (Carter,

2005). Although some firms have been criticised for green-washing, genuine improved behaviour can enhance public opinion. This emphasises the importance of legitimising behaviour in relation to sustainability. Although customer pressure for SOSM practices can be positive, they can also emerge from negative perceptions. For example, the case of Gap Inc. and its sustainability development, with a particular focus on the ethical dimension of sustainability, is explored by Ansett (2007). Although not explicitly concerned with institutional pressures, the progression of practices can implicitly be linked to these. One of Gap's first practices related to the creation of a code of conduct. After human rights violations, further practices were identified as necessary and a global compliance team was created to inspect the factories. Therefore, coercive pressures are demonstrated to exist in relation to risk mitigation and the pursuit of legitimacy in the eyes of stakeholders. This is due to the governance nature of the practices established, rather than ones focusing on efficiency.

However, coercive pressures are not always considered to be critical drivers of SOSM adoption. Contrary to the studies above, there have been a number of articles showing that regulation is not a key driver of purchasing social responsibility (Carter and Jennings, 2004); logistics social responsibility (Carter and Jennings, 2002a); GSCM in China (Liu *et al.*, 2012) nor environmental initiatives (Shrivastava, 1995). Whilst regulation is often seen as a pressure, it may not always work in isolation (Hall, 2000), and can even be restrictive since it focuses on processes rather than outcomes (Carter and Carter, 1998). In addition, regulation can be a problematic issue – for SMEs, for example, food packaging regulations can in fact prevent packaging being reused in small firms (Côté *et al.*, 2008). Certain kinds of regulation can also affect innovation and restrict greater change.

Some studies also identify the lack of coercive pressure for firms to implement sustainability (Maxwell *et al.*, 2006; Seuring and Müller, 2007a). This in part may be due to a lack of consumer awareness (Vasileiou and Morris, 2006), an argument confirmed through the user surveys carried out by Fliess *et al.* (2007) and recent Defra studies (2008, 2010) assessing consumer knowledge of the fashion industry. The lack of knowledge can create false perceptions relating to green products, which can also act as a barrier to implementing sustainability practices (Bala *et al.*, 2008). Consumers sometimes believe that green products will not be as good as traditional ones and Handfield *et al.* (1997) argue that, “market studies have shown that green products do not sell” (p311).

Organisations may also be more affected by their own internal pressures than exogenous, coercive ones. Despite recognising the existence of coercive pressures, Barratt and Choi (2007), in their study on RFID observed, “organizations themselves driving the changes in face of institutional pressures and, instead of reacting in an isomorphic way, they showed varying degrees of compliance” (p580). Therefore, even with the existence of coercive pressures, organisations may respond in differing ways.

Coercive pressures are more widely addressed within the literature since they are not specific to institutional theory. Regulation, stakeholders, societal, and customer pressure are frequently addressed as drivers of SOSM practice adoption and development either without the use of a theoretical lens (e.g. Walker and Jones, 2012), or through an alternative lens such as stakeholder theory. Therefore, this contributes to the fact that there is more evidence of this type of pressure than of mimetic or normative influences on practice adoption. Whilst the majority of SOSM studies focus on the environmental dimension of sustainability, the heavily regulated nature of certain industries demonstrates that this pressure is an important contextual factor.

### 2.3.2 Mimetic pressures

Mimetic pressures relate to competitor organisations as well as other organisations within a supply chain that influence behaviour (DiMaggio and Powell, 1983). It relates to the imitation of practices and benchmarking as a contributing factor to this type of imitation (Zsidisin *et al.*, 2005). In conditions of uncertainty, competitor organisations may wish to imitate the practices of successful or legitimate competitors, a process called social contagion: “The contagion lens explicitly acknowledges the mutual influence that organizations exert on each other within an institutional field” (Angst *et al.*, 2010, p1233). This suggests that certain practices may spread due to the influence of other organisations.

Mimetic pressures have been identified as driving adoption of practices within a number of different contexts. Zsidisin *et al.* (2005) find that mimetic pressure exists in relation to responding to risk. By utilising three case studies in different industries, all of which have adopted business continuity planning processes, similarities can be identified. The existence of mimetic pressures is evidenced through the adoption by two organisations of business continuity processes created by external organisations. Since this research utilises Grewal and Dharwadkar’s (2002) definitions of

institutional pressures as regulating, validating and habituating, there is an innate blurring of this type of pressure with normative pressures. As such, this demonstrates that mimetic pressures may be less distinct than coercive pressures and more difficult to identify. Branscheidel *et al.* (2011) find some evidence of mimetic pressures in relation to the adoption of Six Sigma within case-based research investigating seven companies from a variety of manufacturing industries. In four out of seven cases, there is evidence relating to mimetic pressures. The nature of these pressures relates to the perception of Six Sigma having been successful for other organisations, through benchmarking, and through the adoption of such practices by other divisions.

A study of the Danish textile industry identifies three strategies for environmental SCM, one of which is closely related to mimetic pressures. Within the 'wake strategy', organisations follow the lead of other organisation's environmental requirements of suppliers (Forman and Jørgensen, 2004). Further mimetic pressures exist in relation to sustainability performance (Ageron *et al.*, 2011). In order to advance sustainability initiatives, large firms need to share their practices with smaller firms in their supply chain (Lamming and Hampson, 1996) but lead firms rarely require suppliers beyond the first-tier to comply with sustainability standards (Jørgensen and Knudsen, 2006) nor are there requirements to share experiences with suppliers (Zhu *et al.*, 2010). However, it has been found that organisations that possess certified Environmental Management Systems are more likely to exert pressures on their suppliers, suggesting that certification can directly create mimetic pressures (González *et al.*, 2008). As such, sustainable certification may be one method of increasing institutional pressures on suppliers to pursue a sustainability agenda.

Walker and Jones (2012) identify competitors as an influence on SOSM practice adoption from their literature review, although this has been examined within the SOSM literature less frequently than coercive pressures. Mimetic pressures have also been investigated as moderators rather than drivers of GSCM practices (Zhu and Sarkis, 2007; Wu *et al.*, 2012). Wu *et al.* (2012) find that the interaction between mimetic pressure (called competitive within their study) and GSCM drivers (defined as social capital, government involvement and organisational support) has no impact, or a negative impact, on GSCM practice adoption. This is attributed to the difficulty of imitating a competitors' supply chain rather than the actions of the focal organisation. However, Zhu and Sarkis (2007) find that mimetic pressures can have moderating effects on certain GSCM practices and performance measures. Within their study, they

find that the existence of mimetic pressure could improve economic performance in relation to certain GSCM practices. Since, “a company is no more sustainable than its supply chain” (Krause *et al.*, 2009, p18), it may fall to organisations to have to consider how competitors approach this.

Mimetic pressures do not necessarily drive all practice adoption, however. Liu *et al.* (2010a) find that mimetic pressures are not significantly linked to the intention to adopt eSCM. They argue that the reason for this is due to the simplicity of adopting eSCM. Therefore, the influence of other organisations is not necessary since there are no real barriers to adoption. Mimetic pressures are found less frequently within the literature and this may be due to the nature of studies focusing on sustainability and the focus on internal operations. When exogenous pressures are considered, they tend to be coercive – such as regulation, and customers. This can be explained by the fact that, in the case of regulation in particular, the pressures are more easily identifiable. Mimetic pressures have also been identified as more important when practices are complex or difficult to use, and are therefore less evident in cases where the innovations are relatively simple (Liu *et al.*, 2010a). The lack of differentiation between measures of the different institutional pressures also means that mimetic pressures may not explicitly be identified in operations and supply literature (Karjalainen, 2013), as well as SOSM literature.

### **2.3.3 Normative pressures**

Normative pressures relate to ways in which practices become normalised such as through the use of professional associations or educational establishments (DiMaggio and Powell, 1983). For example, the existence of global standards or certification, such as ISO 9000 or ISO 14000, helps to create normative pressures (Gilbert and Rasche, 2008; Nair and Prajogo, 2009). Maturity of practices within specific industries, or extensive adoption of practices such as Six Sigma (Braunscheidel *et al.*, 2011) can help create accepted norms. Within OSM literature, evidence of normative pressures has been identified in relation to business continuity planning (Zsidisin *et al.*, 2005). This includes the use of processes created by the Business Continuity Institute as well as the professional training of those employed in purchasing. Liu *et al.* (2010a) also find that normative pressures are significantly linked to the intention to adopt eSCM.

However, Braunscheidel *et al.* (2011) find that, “normative isomorphic pressure was not immediately evident as were coercive or mimetic pressures” (p439) in organisations’ adoption of Six Sigma. Although normative pressures are not clearly seen in relation to the adoption of Six Sigma, they are found in relation to implementation once the decision is taken to adopt. This is evidenced through the use of consultants and suggests that normative pressures might take longer to develop than coercive or mimetic pressures.

Within the SOSM literature, there is limited evidence of normative pressures. Although organisations often have their own codes of conduct, broader ethical standards such as the UN Global Compact, SA 8000, and the Global Reporting Initiative, also help to define normative behaviour (Gilbert and Rasche, 2008). A study that considers industry-wide standards and codes of conduct relating to ethical behaviour (Krueger, 2008) finds that Chinese organisations within the textile, toy and electronics industries have developed similar standards suggesting normative ethical standards. Ellis and Higgins (2006) explore codes of conduct by carrying out a discourse analysis and find that although the codes attempt to be prescriptive, managerial responses may vary – therefore although they might be normative, there can still be variety in their implementation. Prescriptive codes of conduct may drive homogeneity of approaches. It is important to include those who work within the supply chain within the development of a code of conduct (Blowfield, 2004; Mamic, 2005; Ellis and Higgins, 2006) and this will affect the development of normative behaviour. Mamic (2005) focuses on the implementation of codes of conduct within the sports footwear, apparel and retail sectors and identifies that the involvement of various stakeholders such as NGOs, customers and workers can help improve the effectiveness of codes. A key finding relates to the role of education and training in the development and implementation of codes of conduct. Training helps to create normative behaviour within organisations since it may increase knowledge as well as contribute to organisational capabilities (Sarkis *et al.*, 2010).

Although organisations must meet the normative standards of their industry in relation to SOSM, they may develop capabilities that are difficult to imitate (Wu and Pagell, 2011). Ageron *et al.* (2011) assume that it is a necessity for organisations to consider sustainability concerns within their operations and supply chain, suggesting that sustainability is becoming a normative dimension of OSM. Similarly, certification such as ISO 14001 can be regarded as increasingly common practice (Curkovic and



Sroufe, 2011). The relationship between motivation and internalisation of practices has been investigated in a recent study that indicates, “as more and more firms are certified to ISO 9000 standards, it creates an isomorphism phenomenon among the certified firms. In this situation, the value of certification as a differentiator diminishes. Instead, the real value comes from the effective internalization of ISO 9000 standards for improving internal processes and operations” (Nair and Prajogo, 2009, p4560). Therefore, the normative pressures around ISO 14001 helps to create internal efficiency. Studies which examine the adoption of ISO 14001 and other types of environmental certification implicitly deal with the creation of normative pressures as these practices are adopted by growing numbers of organisations.

Sectoral enablers are identified within a study of enablers and barriers to SOSM practices (Walker and Jones, 2012). This suggests that normative drivers for practice adoption may be industry or sector specific. These include the use of industry standards and work with best practice cases. Such standards may create normative pressures and therefore isomorphism surrounding the nature of the practices adopted.

Although normative pressures for SOSM appear to be increasing, internal resistance can act as a barrier to environmental innovation (Verghese and Lewis, 2007) and is sometimes caused by a lack of understanding (Zhu and Geng, 2001). Although senior managers may have a greater strategic understanding of sustainability than middle managers, they do not necessarily know how to apply it at an operational level. Greater understanding is impossible without greater education, but environmental issues are not fully integrated in supply chain management at an educational level and this has a negative impact on their practice adoption (Preuss, 2002). Due to the relative immaturity of sustainability within many industries, there is limited evidence of normative pressures within the SOSM literature. It is expected that this will change as SOSM practices become more embedded within organisations and industries.

#### **2.3.4 Summary and research question**

The sources of coercive, mimetic and normative pressures differ and these sources are outlined in table 4.

**Table 4. Sources of institutional pressures**

<b>Institutional pressure</b>	<b>Source of pressure</b>
<b>Coercive</b>	<ul style="list-style-type: none"> <li>• Leadership commitment (as a proxy for external pressures)</li> <li>• Regulation</li> <li>• Cultural expectations</li> <li>• Shareholders</li> <li>• Consumers</li> <li>• Community</li> <li>• Special interest groups</li> </ul>
<b>Mimetic</b>	<ul style="list-style-type: none"> <li>• Competitor organisations perceived to be successful</li> <li>• Supply chain members perceived to be successful</li> <li>• Benchmarking</li> </ul>
<b>Normative</b>	<ul style="list-style-type: none"> <li>• External industry-related education or courses</li> <li>• External job-related education or courses</li> <li>• Voluntary standards or certification</li> <li>• Voluntary associations</li> </ul>

External pressures are an important motivating factor of SOSM (Hall, 2001) and institutional pressures have been identified as influencing the adoption and implementation of practices within the extant literature (Braunscheidel *et al.*, 2011). However, such institutional pressures remain under-utilised and often ill defined within the SOSM literature. This is evidenced partially by the lack of distinction between the types of pressures within quantitative empirical studies. Despite the identification of coercive, mimetic and normative pressures within the extant literature, there is still ambiguity over the way they interact and how they might separately influence the adoption of environmental and ethical practices. By reviewing the literature focusing on institutional theory and SOSM in relation to coercive, mimetic and normative pressures, the following research question is posited:

- ***RQ1: How do coercive, mimetic and normative forces influence SOSM practice adoption?***

## **2.4 Resource-based theory**

This section defines resource-based theory (RBT) before examining its application within OSM and SOSM literature. It then explores intra-organisational sustainability capability-building: product and process; and organisational; as well as inter-

organisational sustainability management capability-building incorporating supply chain and extended relationships. It then summarises and introduces the second research question.

#### **2.4.1 What is resource based theory and why should it be used?**

Resource-based theory (RBT) is taken from the strategic management literature and examines the necessary capabilities in order to create competitive advantage. Scholars are increasingly recognising the benefits of using theories from outside their own discipline, as they “can provide opportunities for richer introspection ...[and] can potentially create innovative insights and solutions” (Rungtusanatham and Anderson, 1996, p364). For operations and supply management, an advantage of using RBT is that its “introverted orientation ... enable[s] [it] to emancipate the neglected strategic importance of operations” (Pandža *et al.*, 2003, p1011) since it deals with the importance of endogenous factors in creating competitive advantage. This would complement the exogenous focus of institutional theory.

RBT is prevalent in the literature for explaining inter-firm differences in performance (Hoopes *et al.*, 2003) and helps to address the issue as to why organisations within an industry display heterogeneity. This focus on endogenous resources and capabilities is valuable since it allows consideration of the unique, idiosyncratic characteristics of organisations. RBT is also particularly valuable within the area of OSM due to the fact that it is within operations that competitive capabilities can be developed (McIvor, 2010) since “internal resources and capabilities are the foundation for a firm’s strategy” (Wu *et al.*, 2010, p722). RBT is also a useful perspective when capabilities are intangible since it helps to explain competitive advantage (Barratt and Oke, 2007).

RBT is one of the most cited theories used in management research (Kraaijenbrink *et al.*, 2010). It posits that an organisation gains sustainable competitive advantage by creating bundles of strategic resources and/or capabilities that are difficult to replicate (Rumelt, 1984; Barney, 1991; Hoopes *et al.*, 2003). The literature has developed to differentiate between resources and capabilities. Resources, according to Barney (1991), are divided into three categories: physical capital (which includes raw materials access, the location of the plant, the plant and its equipment); human capital (which includes knowledge, training, and relationship); and organisational capital

(which includes formal reporting procedures, and processes). Resources have also been categorised as physical, human and organisational (in line with Barney), but with the addition of financial, reputational and technological (Grant, 1991). Capabilities emerge from the way that resources are used together (Grant, 1991). According to RBT, the four necessary conditions for resources or capabilities to be seen as strategic are that they are rare, valuable, inimitable, and non-substitutable (Barney, 1991).

Strategic resources or capabilities are by definition rare (Barney 1986a) and sustainable competitive advantage can only be achieved if organisations are not implementing the same strategy or in possession of the same resources (Barney, 1991). However, it is argued that rareness is only significant if a resource is also valuable and inimitable (Hoopes *et al.*, 2003). “Resources are valuable when they enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness” (Barney, 1991, p106). Therefore, strategic resources are those which have a specific value to an organisation, which helps lead to improved performance and therefore competitive advantage.

When a resource cannot be perfectly imitated by competitors, then it can lead to sustainable competitive advantage (Barney 1986b). Knowledge-based resources are more likely to be inimitable since they are partially created through the context in which they emerge (Peteraf, 1993) and are therefore particular to the organisation. There are three reasons why resources may be impossible to imitate perfectly: they are dependent upon unique historical conditions and therefore idiosyncratic to the organisation; the relationship between the resources and competitive advantage is causally ambiguous and therefore understanding of it is limited; or the resource is socially complex, for example relating to relationships or reputation (Barney, 1991; Dierickx and Cool, 1989).

Finally, resources must be non-substitutable for sustainable competitive advantage to emerge. If a resource can be substituted for a different one, then it is irrelevant whether it is rare, valuable and inimitable (Barney, 1991). It is only when the four necessary conditions are met that competitive advantage can be created (Priem and Butler, 2001). Not all resources or capabilities can provide a firm with a competitive advantage so it is important for an organisation to recognise those that are strategic.

#### 2.4.2 Applications of RBT

Within the twelve core OSM journals, resource-based theory has been applied to a variety of different subjects including information technology (Kearns and Lederer, 2003; Jeffers *et al.*, 2008; Zhang and Dhaliwal, 2009; Jeffers, 2010), manufacturing strategy (Corbett, 2008; Paiva *et al.*, 2008; Thun, 2008; Adamides and Pomonis, 2009), supply chain linkages and coordination (Holweg and Pil, 2008; Rungtusanatham *et al.*, 2003b; Squire *et al.*, 2009), outsourcing (Holcomb and Hitt, 2007; Marshall *et al.*, 2007; McIvor, 2009; McIvor, 2010; Dekkers, 2011), and innovation (Craighead *et al.*, 2009; Camisón and Villar López, 2010). These often explore the relationship between capabilities or resources and performance or pursuit of competitive advantage (e.g. Rungtusanatham *et al.*, 2003b; Hult *et al.*, 2006; Wong and Karia, 2010; Schoenherr, 2012) or seek to understand internal motivations for practice adoption (e.g. Marshall *et al.*, 2007; Gulbrandsen *et al.*, 2009). Wu *et al.* (2010) attempt to create a definition of operational capabilities, although the resources or capabilities considered across the studies vary greatly from logistics resources (Wong and Karia, 2010) to IT alignment (Kearns and Lederer, 2003) to supply chain collaboration (Squire *et al.*, 2009).

RBT has also been applied to green practice adoption (Sarkis *et al.*, 2010; Schoenherr, 2012). It is important to understand whether sustainability practices can lead to the development of capabilities which have the potential to create competitive advantage. SOSM has been seen to provide opportunities to pursue competitive advantage, as it has been argued that 'it pays to be green' (Russo and Fouts, 1997). Kassinis and Soteriou (2009) find that the use of environmental management practices is related to market performance in the hotel industry, a relationship that is mediated by customer loyalty. This relationship suggests that environmental management may act as a capability that can lead to competitive advantage. Making environmental performance a competitive priority could also allow firms to gain competitive advantage (De Burgos Jiménez and Céspedes Lorente, 2001) and as sources of competitive advantage become increasingly rare, SOSM practice adoption may provide opportunities (Markley and Davis, 2007). Therefore, firms can choose to enhance sustainability as a point of difference or as a low-cost strategy in order to gain competitive advantage. A low cost strategy is more problematic since although there might be easy gains to be made from low hanging fruit, longer term cost advantage

will require up-front investment. As such, reactive solutions might have short-term benefits but proactive ones will be required for sustained gains.

Capability-building can be used to explain certain practices which organisations adopt and how heterogeneity develops within an industry. RBT allows distinctive capabilities to be identified within different organisations within an industry (Mahoney and Pandian, 1992). Hart (1995) outlines that “it is likely that strategy and competitive advantage in the coming years will be rooted in capabilities that facilitate environmentally sustainable economic activity” (p991). He determines these capabilities to be pollution prevention, product stewardship and sustainable development. However, these capabilities are broad concepts and need further refining for industry-specific concerns. Hart’s (1995) concept of the Natural Resource-Based View draws on the notion of social legitimacy alongside the goal of creating competitive advantage and therefore includes external stakeholders in this process. Within the SOSM literature, Ageron *et al.* (2011) state that, “for sustainability to be durable, companies must “build” beyond their own borders” (p2) although it has been argued that GSCM should focus on internal operations, before extending learning into the supply chain (Zhu *et al.*, 2010). Therefore, intra-organisational capability-building may precede inter-organisational capability-building. It is important to consider the supply chain since it “is a step towards the broader adoption and development of sustainability, since the supply chain considers the product from initial processing of raw materials to delivery to the customer” (Linton *et al.*, 2007, p1078).

Sinding (2000) emphasises the difference between intra-organisational environmental management where there is a focus on internal environmental efforts and inter-organisational environmental management, where the focus extends beyond the boundaries of the organisation. Similarly, sustainability capability-building can be defined according to intra and inter-organisational practices. Using Lee and Klassen’s (2008) definitions of environmental management capability-building initially, these have been broadened to encompass ethical factors as well. Previous research has utilised similar categories in relation to corporate environmental strategic decision-making (Rhee and Lee, 2003). Intra-organisational capability-building may be categorised in three ways: product sustainability capability-building, process sustainability capability-building, and organisational sustainability capability-building (Lee and Klassen, 2008). Inter-organisational capability-building may be categorised in two ways: supply chain sustainability capability-building and external relational/

relationship sustainability capability-building (Lee and Klassen, 2008). This differentiation between intra-organisational and inter-organisational practices allows consideration of SOSM both from an internally focused operations perspective, and from the perspective of a broader extended supply chain perspective since the literature demonstrates the importance of suppliers and supply chain collaboration for sustainability (e.g. Vachon and Klassen, 2008).

#### **2.4.3 Intra-organisational sustainability management capability-building – product and process**

Product and process sustainability management capability-building is focused on making the product, and the process of manufacturing a product, more sustainable. Product sustainable management capability-building is related to the provision of environmentally friendly or socially responsible products (Lee and Klassen, 2008). Practices which relate to the environmental dimension of sustainability include product-based green supply (Bowen *et al.*, 2002), design for the environment (Chen, 2001), eco-design (Zhu *et al.*, 2005), environmental purchasing or sourcing (Zsidisin and Siferd, 2001), environmental product promotion (Rhee and Lee, 2003), and the use of environmentally friendly materials (Carter and Carter, 1998). Practices relating to the ethical dimension of sustainability include ethical sourcing (Preuss, 2009) and purchasing social responsibility (Carter, 2005). Certain practices may relate to both dimensions, such as sustainable sourcing (Hendry *et al.*, 2012) and product stewardship (Hart, 1995). Process sustainability management capability-building is related to the process by which products are manufactured in a more sustainable way, through the use of cleaner technology and manufacturing, for example by adopting pollution prevention approaches (Lee and Klassen, 2008). The “development of cleaner production technology; pollution control and prevention in production” (Rhee and Lee, 2003, p179) all contribute to more environmentally friendly processes. Often organisations incorporate environmental concerns through these two types of capability development (Kumar *et al.*, 2012; Teixeira *et al.*, 2012).

#### **Product**

Within the extant literature, increasing attention has been given to the issue of green product development (Albino *et al.*, 2009; Dangelico and Pujari, 2010). However, there is still not consensus around what makes a ‘green’ product (Baumann *et al.*,

2002) and this is partially attributable to ambiguity around the terms ‘eco’, ‘green’ and ‘sustainable.’ Product-based green supply focuses directly on altering the product supplied, as well as indirect products such as packaging (Bowen *et al.*, 2002). Purchasing managers or buyers may modify product specifications to incorporate more environmentally friendly materials (Carter and Carter, 1998). Product-based green supply practices are found to be effective in improving both environmental and economic performance, often eliminating waste (Bowen *et al.*, 2001).

A cross-disciplinary literature review explores green product development from a variety of perspectives including business, engineering, and policy (Baumann *et al.*, 2002). The impetus for this review came from the fact that although green product development is often discussed, in reality little appears to have changed. The authors stress the importance of producer responsibility, suggesting that the end user of the product also needs to take responsibility for the sustainability impacts of a product. However, Jacobs and Subramanian (2012) stress that this responsibility could be profitably shared. When a major environmental impact of a product is caused at the use stage such as in the case of the washing and disposal of clothing (Allwood *et al.*, 2006), this is important, yet is often not considered during the design stage. Eco-design relates to the design of products for reduced energy/ material consumption; design of products for recovery, reuse, and recycling of components; and design of product to reduce the manufacturing process or the nature of materials (Zhu and Sarkis, 2004a; Zhu and Cote, 2004). In a number of Zhu’s studies, this is examined as an element of GSCM and investigated in manufacturing plants across a range of industries. Zhu *et al.* (2005) find that much eco-design in China is approached traditionally from an internal perspective, rather than with inputs from suppliers or customers. Eco-design has also been found to mediate the influence of external pressures on environmental performance (Zailani *et al.*, 2012).

Within the SOSM literature, environmental purchasing has been researched more extensively than ethical or sustainable purchasing (Carter and Rogers, 2008). It should “begin in the design stage and continue through final disposal of the product” (Zsidisin and Siferd, 2001, p 69). Therefore, responsibility for the product can consider the entire life cycle. Purchasing social responsibility, a concept espoused by Carter in a number of papers (see for example, Carter, 2005) refers to a broader consideration of sustainability issues including wages, health and safety, diversity, workers’ rights, disability rights, racial and ethnic equality, and gender equality. Organisational



initiatives to embed social responsibility into the purchasing function are also limited (Leire and Mont, 2010).

Product stewardship is a more advanced type of practice focusing on the reduction of the life cycle cost of a product (Hart, 1995). Life cycle costing or life cycle analysis (LCA) is a method which measures and analyses the environmental impact, in terms of material usage, energy usage, and emissions, of a specific product (Tsoufas and Pappis, 2006). In an article which addresses his own research into sustainable supply management, Seuring (2011) states that “one key concept being used to assess the environmental impact of products is life-cycle assessment” (p472) which is a technique used to understand the impacts of a product at different stages of its life cycle. Kleindorfer *et al* (2005) highlight the value of using LCA whilst Matos and Hall (2007) assess its applicability through two case studies – one relating to the oil and gas industry, the other relating to agricultural biotechnology. They find that these cases “illustrate the appropriateness of LCA under different circumstances and approaches” (p1098). However, LCA remains a complex tool and can be difficult to implement. They highlight that another concern with LCA is the increasing focus on social concerns, or sustainability concerns, over merely environmental ones and that LCA might not provide optimal solutions.

Over 50% of companies were found to develop green products within a cross-sector study utilising information about organisations which appear in the Dow Jones Sustainability Index (excluding healthcare and consumer sectors) (Albino *et al.*, 2009), suggesting that organisations may approach sustainability through their products. Incorporating sustainable materials into existing product design or including sustainability criteria into product criteria requires fewer resources and capabilities than more advanced product-related practices such as eco-design, or product stewardship. As such, these could be considered “low-hanging fruit” (Hart, 1995) in the drive to increasing levels of sustainability. The incorporation of sustainable materials into products might be simpler in certain industries. The majority of the OSM literature examining sustainable products focuses on the environmental dimension of sustainability. It is more difficult to incorporate ethical criteria directly into the product.

### *Process*

Process sustainability management capability-building often relates to making the process of manufacturing a product more sustainable. Since the majority of the existing literature often explores manufacturing contexts (Walker and Brammer, 2012), there are a number of practices that may be carried out. However, due to the retail context of the present study, process capabilities will be linked to the processes carried out in stores, offices and distribution centres.

The literature applies more broadly to a manufacturing context, although a number of practices may also be carried out in internal operations within the fashion industry. For example, the practices considered in Schoenherr (2012): waste reduction, pollution prevention, ISO 14000 certification, and recycling of materials, are also relevant within the context of this study. Schoenherr (2012) utilises RBT in order to explore the connection between environmental initiatives and plant performance; and to explain the contingent conditions under which environmental practices might exhibit the conditions of valuable, rare, inimitable and non-substitutable. Four specific environmental initiatives are considered alongside where in the world they have been implemented. Schoenherr (2012) finds that ISO 14001 certification, pollution prevention and waste reduction positively influence performance and exhibit VRIN characteristics across the countries sampled. However, he also finds that “environmental initiatives could be labelled as order qualifiers rather than order winners for plants in industrialized regions of the world” (p10). For more developing countries, environmental initiatives are found to still hold the potential of competitive advantage. Environmental management practices and supply chain management practices are also considered using RBT in a study looking at quality advantage (Narasimhan and Schoenherr, 2012). The research finds that both types of practices can be resources, which enable a competitive quality advantage.

Environmental technologies have been defined as production systems that can reduce negative environmental impact (Shrivastava, 1995). Although end-of-pipe technologies have been considered, studies increasingly are interested in proactive strategies such as pollution prevention (Angell and Klassen, 1999). Reactive, end-of-pipe solutions are often sought over more proactive ones due to customers’ resistance to change and lack of understanding (Vachon and Klassen, 2006); existing economic systems can have the same effect (Shrivastava, 1995). Existing investment can also act

as a barrier since once firms are tied in, it is considered difficult to embrace new technology (Verghese and Lewis, 2007).

Vachon (2007) explores the relationship between GSCM and environmental technologies classified as pollution control, pollution prevention, and management systems. Pollution control is a reactive approach that uses structural investments to processes in order to decrease pollution or correct existing environmental damage, for example. Pollution prevention refers to proactive approaches using structural investments that help to decrease pollution at source. The research finds that the approach chosen is largely driven by supplier-related behaviours.

Internal physical capabilities can be related to investment recovery, which is commonly used as a category of GSCM and relates to the sale of excess capital equipment, scrap and used materials (e.g. Zhu *et al.*, 2005; Zhu and Sarkis, 2004a). Zhu and Sarkis (2004a) investigate the relationship between GSCM practices including investment recovery and performance in Chinese organisations. They state that “investment recovery in China seems to have received much less attention than in developed countries” (p283) and this is due to the policies in place and the fact that China lacks systems for recycling.

Zsidisin and Siferd (2001) identify three techniques to address environmental issues: resource reduction, recycling and reuse. The first relates to minimising waste in order to improve distribution; the second relates to the collection and remanufacturing of materials or products; and the third one relates to using a product or material without the need for remanufacturing. The authors comment that all three techniques can be applied in the case of packaging and for certain direct products. Given the focus of research carried out within the OSM literature<sup>6</sup>, the process management sustainability capability-building dimension for this study relates to intra-organisational practices. However, the nature of the industry will affect what practices may be carried out internally.

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<sup>6</sup> Within the survey-based empirical studies, most concentrate on manufacturing; while case study-based research is more likely to consider the whole supply chain.

#### 2.4.4 Intra-organisational sustainability management capability-building – organisation

Intra-organisational organisational sustainability management capability-building relates to the internal management of sustainability practices through measures such as the use of environmental management systems in order to integrate environmental concerns into day-to-day operations (Lee and Klassen, 2008). Further development of these capabilities in relation to environmental practices relate to “environmental performance measurement, monitoring and evaluation; and environmental education and training” (Rhee and Lee, 2003, p179). Furthermore, similar practices may be carried out in conjunction with the ethical dimension of sustainability.

It has been argued that GSCM should focus on internal operations, before extending learning into the supply chain (Zhu *et al.*, 2010). Therefore, criteria related to internal environmental management practices are important and may include commitment from top managers; support from mid-level managers; total quality environmental management (TQEM); ISO 14001 certification; and the existence of Environmental Management Systems (EMS) (Zhu *et al.*, 2010). All items relating to these criteria are found to have been implemented by the firms considered in the study by Zhu *et al.* Internal organisational capability-building is also considered by Liu *et al.* (2012) who use this criterion of internal proactive environmental activities as one dimension in order to explore the green supply chain management of companies in China. The study confirms that green practices are still at an early stage of development in these organisations. A study of environmental performance measurement systems highlights organisations’ use of EMS, such as ISO 14001, in order to improve environmental impact (Shaw *et al.*, 2010). Curkovic and Sroufe (2011) also investigate the use of ISO 14001 and outline key requirements as follows: “formation of a corporate environmental policy and commitment to an EMS; development of a plan for implementation; implementation and operation of the EMS; monitoring and possible corrective action; and top management review and continuous improvement” (p73). ISO 14001 provides a normative basis for supply chain design but does not necessarily improve supplier performance due to its limited requirements. Drumwright (1994) argues that, ‘policy entrepreneurs’ are most effective in promoting social responsibility when they are not heavily directed by top management.

An organisational capability can be the integration of sustainability into strategy. Stubbs and Cocklin (2008) investigate the creation of a sustainability business model.

Their research utilises two case studies of organisations deemed to be leaders in sustainability - Interface Inc. and Bendigo Bank. Interface Inc is a global manufacturer of carpets seen to be a leader in environmental sustainability whilst Bendigo Bank was recognised as the most sustainable Australian company in the early 2000s (Stubbs and Cocklin, 2008). Both organisations have strategies that explicitly focus on dimensions of sustainability and can be seen as examples of best practice<sup>7</sup>. A proactive sustainability strategy can help develop unique capabilities and thus competitive advantage (Sharma and Vredenburg, 1998).

Further internal organisational capability-building can be related to purchasing, where there is the potential for competitive advantage through adoption of environmental initiatives (Zsidisin and Hendrick, 1998); and the seeking of cost reductions can be a driver of environmental management, (Green *et al.*, 1996; Kassinis and Soteriou, 2009) although purchasing professionals may not naturally associate economic benefits with green initiatives (Bowen *et al.*, 2002).

Sarkis *et al.* (2010) examine the effect of training as a mediator of the relationship between stakeholder pressures and environmental practice adoption. Although the literature relating to environmental training is nascent, the authors argue that training “may play an especially important role because it serves as a method to build the organisational capacities and knowledge of all workers who participate in these programmes” (p165). Their results find that organisations within their study are only adopting environmental practices where training programs are already in existence. Training is a way that organisations can increase their intangible capabilities relating to knowledge and understanding and enhance the effective adoption of other practices. It can be seen as critical in the facilitation of sustainability practices (Teixeira *et al.*, 2012). A number of operations and supply management studies, not focused on the context of sustainability, are interested in knowledge as a resource or capability (e.g. Yang, 2010; Hult *et al.*, 2006). In the first of these studies, the authors are interested in

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<sup>7</sup> Interface Inc. has a strategy that focuses on seven areas: eliminating the concept of waste; eliminating waste emissions; reducing the energy used in processes; closing the loop through material usage; reducing transportation; engaging stakeholders; and redesigning the nature of retail to focus on service rather than products. Bendigo Bank focuses on a community-focused approach, essentially acting as a franchise for local communities to invest in. Therefore Interface Inc. represents an organisation focused on improving its environmental performance whilst Bendigo Bank is more concerned with the social dimension of sustainability.

knowledge management strategy. In the second, eight knowledge elements are identified which can help an organisation achieve greater supply chain performance, although these will depend on the strategic nature of the firm. This is in an attempt to understand more “about the intangibles associated with why some supply chains outperform others” (p458). Knowledge accumulation is also considered in a study linked to manufacturing strategy (Paiva *et al.*, 2008) which suggests that “knowledge as an organizational resource allows the manufacturing function to seek a higher integration with other functional areas under current environmental conditions” (p128).

#### **2.4.5 Inter-organisational sustainability management capability-building – direct supply chain, indirect supply chain and external relationship**

Inter-organisational sustainability management capability-building refers to the capabilities which span the boundary of the focal organisation and extend into the supply chain, through relationships with first-tier suppliers, and suppliers further upstream. Suppliers are progressively seen as crucial for organisations to compete in terms of environmental capability development (Fu *et al.*, 2012). Increasingly, the extended supply chain (Pagell and Wu, 2009) is also being considered. Direct supply chain sustainability management capability-building relates to sustainable supply management, such as being able to encourage suppliers to behave responsibly and incorporating criteria relating to ethical or environmental performance within supplier selection procedures (Lee and Klassen, 2008). Indirect supply management sustainability capability-building may also relate to these issues. The difference, however, is the fact that these capabilities need to relate to indirect suppliers, such as those at tier 2 or tier 3, for example. These indirect suppliers and relevant capabilities are less explored in the literature since often the focus is on the focal organisation (e.g. Camisón and Villar López, 2010; Thun, 2008) or relationship with first tier suppliers (e.g. Squire *et al.*, 2009; Krause *et al.*, 2000). However, relationships across the supply network can create opportunities for competitive advantage (Lewis *et al.*, 2010) and in order for supply chains to become truly sustainable, it is important to consider sustainability from a holistic supply chain perspective (Pagell *et al.*, 2008). Finally, external relationships sustainability management capability-building refers to the

concept of the extended supply chain which incorporates stakeholders, NGOs, local communities and competitors (Pagell and Wu, 2009).

### *Direct supply chain*

Inter-organisational capability-building refers to capabilities which span the boundary of the focal organisation. For example, research investigating the relationship between supply chain linkages and operational performance (Rungtusanatham *et al.*, 2003b) uses RBT to develop a conceptual framework around supply chain linkages to explore why an organisation's operational performance can benefit from these linkages. Another study that explores supply chain linkages as resources uses the extended resource-based view (ERBV) in a study on manufacturing capability-building and buyer responsiveness (Squire *et al.*, 2009), the focus of which is buyer-supplier relationships. This extended theory is used here to explore "how firms use supplier capabilities to enhance their performance and how inter-organisational relationships between buyer and supplier determine the derived benefits" (p767). Rather than focusing on the competitive advantage to be gained from internal resources, a wider perspective is used. This broader perspective is also utilised in a study by Lewis *et al.* (2010), which explores classic RBT as well as extended RBT in the context of a single case study in the food industry. It considers how competitive advantage can be created through capabilities or resources which are held beyond the boundary of the individual organisation. It is suggested that these two perspectives can be used to explain a sustained competitive advantage, through the development of internal resources as well as relationships across the supply network.

A significant number of articles explore supplier collaboration, communication, continuity and/or relationships in light of environmental performance. Strand (2009) finds that collaboration with suppliers, based on trust, can add to a 'cooperative advantage'. Successful buyer-supplier relationships can positively influence sustainability performance (Pagell *et al.*, 2007; Hollos *et al.*, 2012). Vachon and Klassen (2006) find that greater collaboration can aid the performance of environmental practices through innovation or resource management, and in a separate study find it can aid delivery (Klassen and Vachon, 2003). Collaboration with suppliers can help initiate green supply and its effectiveness (Bala *et al.*, 2008), and also aid the application of innovative environmental technologies (Geffen and Rothenberg, 2000). Rao (2005) argues that greening suppliers is advantageous for the

supplier and the focal firm since it can enhance reputation and reduce costs. “Buying firms benefit in many different ways when their suppliers adopt environmental practices” (Tate *et al.*, 2011, p6) and involving suppliers in mutual environmental initiatives can benefit performance (Testa and Iraldo, 2010). In addition, customers’ requirements can also enhance suppliers’ commitment to sustainability (Simpson *et al.*, 2007).

The focal organisation can be held accountable for the ethical or environmental behaviour (or lack of) of suppliers (Parmigiani *et al.*, 2011). Consequently, it is important for organisations to carefully consider and monitor supplier behaviour. Assessment is one method of governing suppliers’ sustainability performance (Gimenez and Tachizawa, 2012). The fact that “Nike is vilified for the behaviour of its overseas subcontractors” (Parmigiani *et al.*, 2011, p 212) suggests the importance of developing robust inter-organisational capabilities. Parmigiani *et al.* (2011) identify technical and relational capabilities as especially relevant for the management of suppliers. Technical capabilities are focused on innovative processes, like those considered as intra-organisational process capabilities within this study. Relational capabilities are focused on incentivising suppliers in relation to sustainability performance and developing ongoing relationships. Governance practices such as monitoring, and the use of codes of conduct can be considered as such.

Codes of conduct are commonly used to manage CSR and have grown increasingly common in the past few decades (Preuss, 2009). Codes of conduct are created for two reasons: the first being the long-term strategy of the business, for example, through reputational gains, differentiation or more effective management of CSR issues; the second being a recognition of the organisations’ role in society and subsequent responsibility (Preuss, 2009). A study that considers industry-wide standards and codes of conduct relating to ethical behaviour (Krueger, 2008) finds that organisations within three industries, textile, toy and electronics, within China have developed similar standards. Ellis and Higgins (2006) explore codes of conduct by carrying out a discourse analysis, whilst Mamic (2005) focuses on the implementation of codes of conduct within the sports footwear, apparel and retail sectors. A key finding relates to the role of education and training in the development and implementation of codes of conduct. Training can lead to more effective implementation of the standards expressed in the codes of conduct. Codes of conduct can require suppliers to carry out certain sustainability practices such as the implementation of EMS or training (Preuss,



2009), but can also require the focal organisation to monitor their suppliers' performance.

Coordination across the supply chain is important since it can also have cost benefits (Seuring, 2001) and long-term relationships may enhance this (Meyer and Hohmann, 2000). In Rao's (2005) investigation of the greening of suppliers, he discovers that this can have a positive impact not only on the supplier but on the focal firm; this is seen as a way for the focal firm to improve their own environmental reputation as well as reduce costs. A more collaborative approach than in standard supply chains will be necessary to develop sustainability in this area (Seuring and Müller, 2007a) but may also benefit both partners (Rao, 2005).

### *Indirect supply chain*

An integrated approach is necessary for the effective implementation of environmental improvements (Chouinard and Brown, 1997) suggesting consideration of the entire supply chain. The majority of empirical work within environmental SCM focuses on the focal firm (Kovács, 2008) and more research is needed which considers SOSM across the entire supply chain. Within the survey-based empirical studies, most concentrate on manufacturing; while case study-based research is more likely to consider the whole supply chain.

Another way of considering the idea of integration is through supply chain accountability. Gallego and Lenzen (2005) create an input-output analysis to identify which suppliers have the greatest environmental impacts suggesting it is important to consider all supply chain actors. The issue of responsibility appears to be connected to the issue of organisation size as often large firms/ brands appear to be held responsible because they are visible to the public, For example, Gap Inc. suffered boycotts due to their suppliers' behaviour (Ansett, 2007). If firms are powerful, they are often deemed accountable. The notion of producer responsibility needs to be expanded, so that individual actors should have a collective goal (Baumann *et al.*, 2002). In contrast, another study claims that firms should only have direct responsibilities for themselves and that suppliers should bear their own responsibilities (Amaeshi *et al.*, 2008). A large firm might have a moral obligation to guide and encourage its suppliers, but no more than that.

This issue of integration is linked to environmental risk which is present in different companies' supply chains (Lu *et al.*, 2007). It is important to consider the whole

supply chain of a product and its life cycle in order to reduce risk, through initiatives such as supplier evaluation at all stages for their environmental and social impacts. In addition, firms need to look at the entire supply chain in relation to ethics, not only the part for which they are legally responsible (Hutchins and Sutherland, 2008). Kovács (2008) refers to this as extended producer responsibility, where the focal firm is responsible for the environmental life cycle of the product and therefore the varying stages of its production.

### *External relationships*

External relationship sustainability management capability-building relates to engagement with external stakeholders through “various communication methods such as environmental reporting, active management of environmental claims, and participation in an environmental conservation program” (Lee and Klassen, 2008, p574). This refers to engagement with, and communication of, both ethical and environmental initiatives. This capability relates to the view that organisations need to consider their position within the broader environment (Pagell and Wu, 2009) and the concepts of Ecocentricity (Seuring, 2004) and the extended supply view where stakeholders, NGOs, local communities and even competitors are included (Pagell and Wu, 2009). In their study of ten, cross-industry best practice case studies, Pagell and Wu (2009) find that six of the organisations are in the process of reconceptualising who are in their supply chain. Two of the organisations have explicit relationships with NGOs or other collaborations and these relationships focus on the transfer of knowledge to the organisation, therefore perceiving the relationships as beneficial. This extends notions of operations and supply chain management to include the broader environment as espoused as central to the Natural Resource-based View (Hart, 1995).

In an industry specific study, de Brito *et al.* (2008) explore how the sustainability agenda is affecting the fashion supply chain through a study of various stakeholders. They identify two divergent attitudes towards sustainability – resignation and ‘integrated.’ They also suggest that greater cooperation and coordination between stakeholders will be necessary in order to successfully integrate sustainability into the business agenda of the fashion sector, and that a new approach to SCM might be necessary. A number of other studies talk about stakeholder involvement, not merely stakeholder pressure, (Ansett, 2007), and this is in line with a broader notion of supply

chain management. Stubbs and Cocklin (2008) also recognise that stakeholders should be involved and that the entire supply chain should be considered rather than just one part of it in isolation.

Communication with stakeholders and the extended environment in which organisations are located can be carried out through the publication of CSR reports (Gössling and Vocht, 2007). These reports are often published in order to satisfy stakeholders yet the nature of these reports and what they communicate about the organisations which publish them is only just beginning to be approached in the literature (Tate *et al.*, 2010). Tate *et al.* (2010) are interested in how supply chain management considerations are integrated with sustainability concerns within CSR reports. Gössling and Vocht (2007) examine whether organisations which publish CSR reports and are explicitly attempting to engage with external stakeholders on issues of social responsibility have better reputations than organisations which do not pursue initiatives in this area. They find that organisations are divided, with some presenting themselves as “good corporate citizens” (p371) and others as purely economically motivated. Their findings also show that organisations which engage with social responsibility activities, and not solely economic ones, are seen as having superior social responsibility reputation to those which do not. Therefore, it is valuable for organisations to engage with external stakeholders in order to gain reputational parity or advantage.

Transparency across the extended supply chain could help to bring ethical concerns to the attention of organisations (Svensson, 2009). This echoes the notion that supply chains “require an extended approach beyond the restricted point of origin and end boundaries” (Svensson, 2007, p263) often described in the OSM literature. The author argues, through an empirical example of the first and second hand clothing market, that supply chains beyond the traditional end-consumer need to be considered. However, this does not seem to be a consideration in practice, nor in other studies.

#### **2.4.6 Summary and research question**

Capability-building has been identified as important in influencing the way that organisations seek to successfully implement sustainability initiatives. Such capability-building may be focused on intra-organisational sustainability practices (Zhu *et al.*, 2010) as well as inter-organisational sustainability practices (Ageron *et al.*,

2011). However, within extant SOSM literature, the influence of capability-building on the adoption and development of sustainability practices has been fragmented. By reviewing the literature focusing on resource-based theory and SOSM in relation to these two types of capability-building, the following research question is posited:

- ***RQ2: How does internal and boundary-spanning capability-building influence SOSM practice adoption?***

## **2.5 Interactions between institutional theory and resource-based theory**

This section explores why a dual theoretical perspective should be utilised in OSM and SOSM literature before exploring the simultaneous use of institutional theory and RBT in extant literature. It then summarises and introduces the third research question.

### **2.5.1 Why should a dual theoretical perspective be used?**

There is an opportunity to jointly apply institutional theory and RBT to OSM research “in order to build an understanding of why certain operations strategies [...] can bring long-term competitive advantage to supply chains and how firms seek balance between best practices and their own unique operational characteristics” (Zhang and Dhaliwal, 2009, p254). This is partially due to the fact that the theories complement one another by considering aspects that the other overlooks.

A number of criticisms have been levelled at institutional theory such as the fact that “institutional theory is unclear about how organisations respond in varying degrees of uncertainty” (Barratt and Choi, 2007, p569). Uncertainty is an important concept for institutional theory since the emphasis is on how organisations behave in conditions of uncertainty because this is when the broad, social environment will have more of an impact on decision-making (Haunschild and Miner, 1997). It is also argued that institutional theory may not explain all motivating factors for the adoption of a practice (Braunscheidel *et al.*, 2011). For example, Barratt and Choi (2007) have used this theory to explore how business units respond to various pressures in the application of RFID. They find that “isomorphism is really only the skin that shows conformance” (p581) and that there are two types of isomorphism, driven by “endogenous technical reasoning” and by “exogenous institutional reasoning” (p581).

This suggests both a pressure from a desire for internal efficiency as well as an external, less economic rationale. This indicates that institutional theory alone is not sufficient in order to explain industry approaches to RFID as internal capability-building must also be considered. The same is true for a study exploring business continuity planning that presents propositions using an institutional theory lens (Zsidisin *et al.*, 2005). The authors state that, “a missing element for understanding how institutional pressures promote similar processes is the internal organizational forces that explain how business continuity planning (BCP) in supply management becomes a core value within the firm” (p3411). An investigation into team-working suggests that although institutional pressures have an impact on approaches, the individual strategic choices of plant managers are equally influential (Tranfield and Smith, 2002). The findings imply that institutional theory alone does not fully explain approaches to team working. Combining institutional theory with another theory is a useful way to take into account other explanations. One study which helps to address “a significant gap in the institutional theory literature concerning the question of how operations managers reconcile potential conflicts between externally imposed institutional demands and internal operational efficiency constraints” (Rogers *et al.*, 2007, p558) looks at institutional pressure in terms of image construction – the idea that it is important to make a supplier development programme in the US automotive industry appear to be a success. This implies the relative importance of legitimacy – and that how stakeholders perceive programs or practices is important in establishing a reputation. The majority of studies which utilise institutional theory purely consider exogenous factors which influence how organisations behave, rather than balancing this perspective with a theory which considers the influence of endogenous pressures. Therefore, a theory which focuses on internal factors is complementary.

A number of criticisms have emerged in relation to the resource-based theory. One of which is that “the most compelling critique of RBV [resource-based view] relates to the risk of tautology in some of its premises” (Ordanini and Rubera, 2008, p 30). RBT is also perceived as being “vague with respect to where the resources originate that lead to competitive advantage” (Holweg and Pil, 2008, p397). Due to its focus on endogenous resources, RBT does not take into account exogenous factors which may have an impact on whether internal resources/ capabilities can actually provide competitive advantage. Changes in the external environment could invalidate competitive advantage or make certain capabilities into a weakness (Peteraf, 1993;

Lewis *et al.*, 2010). Therefore, it is important to consider the external environment and examining institutional pressures is one way to approach this.

The potential to explore industry and organisational level pressures is an advantage, as well as a difficulty, of utilising both of these theories. The use of these two theories helps to provide explanations of isomorphism, the process of organisations having increasingly similar practices, as well as differentiation. Within SOSM, “few researchers have explored the effects of organizational internal resources and institutional pressures simultaneously on environmental management practices” (Wu *et al.*, 2012, p622). Combining institutional and resource-based theory has the potential to be beneficial as there are issues related to the connection between external pressures from an institutional perspective and internal capability-building from a resourced-based perspective which still require investigation (Sarkis *et al.*, 2011). Currently, “it is unclear how external and internal factors interactively promote GSCM practices” (Sarkis *et al.*, 2011, p4)

Whilst research often utilises a single theory in order to investigate or explain certain behaviour, scholars increasingly see value in combining theories in research (Astley and Van de Ven, 1983). The dual use of institutional theory and RBT offers significant potential for OSM studies given their different foci – institutional theory on external drivers of behaviour and RBT on internal capability-building. However, the combined use of these two theories is rare within the discipline (Ketchen and Hult, 2007).

RBT focuses on the internal capability-building of a firm but recognises that those capabilities will be of varying value depending on the competitive environment (Barney, 1991). It does not, however, recognise the institutional pressures which might dictate performance to a certain level or recognise that firms might not wish to compete in a certain area. Conversely, institutional theory is concerned with the coercive, mimetic and normative pressures that create isomorphism in an industry (DiMaggio and Powell, 1983), but it does not consider the individual internal capabilities of a firm. (Zsidisin *et al.*, 2005). Used together, the theories may provide a more convincing account of why firms act in certain ways. The following table presents the characteristics of institutional theory and RBT, demonstrating where they differ.

**Table 5 Characteristics of institutional theory and RBT**

	<b>Institutional Theory</b>	<b>RBT</b>
<b>Used to understand</b>	Homogeneity	Heterogeneity
<b>Focus</b>	External pressures	Internal capability-building
<b>Motivation</b>	Risk minimisation	Pursuit of competitive advantage
<b>Decision-making influences</b>	Non-economic decision-making	Economic-driven decision-making
<b>Level of analysis</b>	Industry level	Firm/ organisational-level

The characteristics shown in the table above help to explain why the two theories are considered complementary. Since one deals with homogeneity (DiMaggio and Powell, 1983) and one with heterogeneity (Barney, 1991), together they help to explain how organisations follow similar pathways but also why they might differ. Organisations do not purely make decisions for economic reasons, there is also an element of non-economic decision-making where firms make business choices based on history or are dictated by educational systems (Scott, 1987). Although the theories exhibit different characteristics, they may be used together to create a more complete picture of the factors influencing practice adoption.

Institutional theory is used to explore the largely external institutional pressures exerted on an industry to adopt certain practices (Braunscheidel *et al.*, 2011). It helps to explain how firms within an industry adopt similar practices, a process called isomorphism (DiMaggio and Powell, 1983). RBT, on the other hand, explores internal capability-building which can create competitive advantage for a firm (Pandža *et al.*, 2003). These capabilities need to be valuable, rare, inimitable, and non-substitutable (Barney, 1991) if they are to create a sustained competitive advantage – which means that these bundles of resources typically contain tangible and intangible resources. Often it is the intangible resources, such as knowledge, which are most difficult to imitate (Peteraf, 1993) as they are defined by a company's history, internally developed knowledge, and systems (Dierickx and Cool, 1989).

By combining these theories, the researcher has an opportunity to explore the interactions between the external pressures explained through institutional theory and internal capability development explained through RBT (Zhang and Dhaliwal, 2009). One of the challenges of utilising these theories in tandem is the fact that they require different units of analysis – industry level and organisational level. The unit of analysis utilised in this study is the practice level which enables the theories to be used

in a more complementary fashion. The interplay between the industry and organisation is crucial since no firm exists in isolation but within a specific industry context with unique pressures. Equally, individual firms have their own sets of core capabilities through which they can differentiate themselves from competitors. It is evident from the review of core journals in the discipline that the combined use of institutional theory and RBT is rare in OSM research. Those that have are now explored in more detail.

### **2.5.2 Applications of dual theory (institutional theory and resource-based theory)**

A study of TQM and ISO 9000 uses the dual perspectives of institutional theory and RBT (Martínez-Costa *et al.*, 2008). This allows the authors to investigate how the source of motivation – internal and external – for the implementation of ISO 9000 affects performance. The authors perceive it is important to understand the motivation since they explicate that some organisations might introduce ISO 9000 purely in order to satisfy external pressures thereby not considering the improvement of internal processes and consequently affecting performance. However, their performance may still be better than non-adopters. According to the study, the application of certification has commonly been motivated by external pressures, although good performance has often been attributed to the existence of internal pressures. Institutional theory is utilised in order to understand if there is “a decoupling between the administrative-level reactions that conform to external pressures and the internal operations at the technical core” (p 26). The practices would differ depending on these motivations. In order to understand the relationship between implementation and performance, RBT is used since internal pressures for certification might lead to the creation of valuable resources whereas the existence of external pressures might merely confirm to expectations and not pursue practices beyond the norm. The study finds that organisations which are internally motivated perform better than those affected by institutional pressures, in terms of productivity and ROA. Therefore, the source of motivation does affect the nature of implementation and these two theories can be used to understand the different pressures and their impact on performance.

A second study investigating ISO 9000 also uses the two theories in order to understand the relationship between the drivers, internalisation of the standards and performance (Nair and Prajogo, 2009). Internal pressures are referred to as



functionalist drivers since they refer to improving process and functional capabilities; whereas external pressures are referred to as institutional. The study utilises institutional theory in order to determine the external pressures which drive organisations to adopt ISO 9000 to gain legitimacy; and the resource-based theory in order to explain the internal pressures which focus on continuous improvement. The study finds a strong relationship between institutional pressures and the internalisation of ISO 9000 and a relationship between functionalist pressures and internalisation. However, high performing firms are more likely to be motivated by internal, functionalist concerns around quality and performance. Within this study, the different motivating factors are found to affect performance differently – internal pressures are more likely to lead to performance improvements. This study suggests that these pressures can exist alongside each other, and that organisations can seek to fulfil both institutional pressures and internal pressures, but that their effect on performance differs. Similarly, internal motivation for ISO 14001 has been found to affect performance more positively than external motivation (Heras-Saizarbitoria *et al.*, 2011) whilst organisations are not perceived to adopt this certification for legitimacy alone (Wiengarten *et al.*, 2012).

In their study of technology adoption, Zhang and Dhaliwal (2009) utilise resource-based theory in order to understand how IT systems help to create a competitive advantage and institutional theory in order to understand the effect of industry factors on adoption behaviour. Internally, the use of technology is seen as a capability which can improve process performance, whereas institutional factors are linked to the deployment of the technology to improve inter-organisational supply chain performance. The two theories are integrated in order to provide categories of internal and external pressures for technology adoption, which include managerial IT knowledge, IT deployment capability, partner dependence, competition intensity and IT intensity, which are then linked to internal assimilation of technology and external diffusion of technology, respectively. The authors argue that “the integration of institutional theory and resource-based theory can provide rich insights into firms’ operational strategies for building technology capabilities for supply chain management” (Zhang and Dhaliwal, 2009, p263). Their analysis suggests that external diffusion – which relates to inter-organisational relationships – has a stronger effect on organisations’ adoption of technology than internal assimilation. Contrary to previous assumptions, this suggests that internal pressures might not dictate technology

adoption. The use of the two theories allows both sets of pressures to be explored empirically, which has rarely been the case in this context.

A study by Tate *et al.* (2009) utilises RBT and institutional theory alongside transaction cost economics in order to understand the evolution of offshore outsourcing of services. The authors identify that institutional theory might be useful to understand early attempts at outsourcing; that TCE might help to explain more advanced outsourcing relating to cost efficiencies; and that RBT might be useful in exploring pursuit of future benefits of outsourcing. With further maturity, they suggest that utilising all three theories together can be useful to explain supplier dependence and changing governance structures; and changes in geographical locations for competitive advantage. For example, institutional pressures might dictate certain countries being preferable for outsourcing, TCE encourages that the more cost effective locations are sought, while RBT suggests that organisations which have capabilities in outsourcing can create competitive advantage from changing locations. Therefore the three theories provide complementary ways for organisations to perceive the choices they have to make. The study demonstrates “the power of combining theoretical perspectives to gain additional insight into complex phenomena” (p520).

Although a recent study focusing on the adoption of environmental practices utilises resource-based theory (especially dynamic capabilities), alongside stakeholder theory, the authors present stakeholder theory as a large element of institutional theory (Sarkis *et al.*, 2010). The authors state that, “within institutional theory, it is argued that ‘stakeholder engagement’ is important in order for companies to establish social legitimacy” (p164). Stakeholders are seen to consist of both internal and external individuals or groups. These include employees and managers internally; government, regulators, NGOs, the community, and investors externally; and in more boundary-spanning roles, upstream and downstream supply-chain members. The study recognises the fact that organisations have been increasingly engaging with environmental management yet barriers relating to change management and organisational culture have emerged. For RBT, “learning and knowledge are fundamental to the development and utilization of resources and capabilities” (p165) therefore training is a useful area to investigate. Training can be perceived as a way to develop capabilities that will also satisfy stakeholder demands for improved environmental performance, and adds to the perception of organisational support for sustainability (Cantor *et al.*, 2012). Therefore, the use of these two theories is

appropriate for considering the interplay between external, or in this case stakeholder, pressures and internal capability-development. Although both theories have been used independently to a limited extent in SOSM research, they have rarely been used together in this context (Clemens and Douglas, 2006; Sarkis *et al.*, 2011). Corporate sustainable development has been explored using institutional and resource-based lenses (Bansal, 2005). It indicates that both of these viewpoints influence corporate sustainable development.

A study of environmental management systems explores institutional pressures as well as internal capability-building in order to investigate the effect of such systems on business performance (Darnall *et al.*, 2008a). The authors identify institutional pressures which influence facility-level practices – regulatory, market (customers), social (community) and ownership (shareholders) – and hypothesise that organisations will adopt superior EMSs when they experience more extensive institutional pressures. They identify capabilities relating to quality management systems, health and safety management systems, employee commitment, environmental research and development, and export orientation and hypothesise that organisations will adopt superior EMSs if they have greater endogenous capabilities. Their study finds that both institutional pressures and capability-building encourage organisations to adopt EMSs more thoroughly. In addition, organisations that are driven to adopt EMSs because of their capabilities are more likely to improve their business performance than those that are driven predominantly by institutional pressures. This suggests that organisations seeking legitimacy may operationalise their EMSs less effectively than those motivated by a desire to improve actual performance. The two theories help to determine motivations but endogenous pressures are more related to performance and this reflects the findings of Nair and Prajogo, (2009) and Martínez-Costa *et al.* (2008).

Darnall *et al.* (2008b) investigate the relationship between environmental management systems (EMS) and green supply chain management (GSCM) practice adoption using institutional theory and a capabilities perspective of RBT. The authors hypothesise that adopters of EMS are more likely to use GSCM practices since organisations which adopt them might experience similar exogenous pressures and possess similar capabilities. The study finds that organisations may be responding to institutional pressures for greater environmental proactivity, and the fact that their EMS capabilities may complement potential GSCM practices (and vice-versa) means organisations can extend their expertise with relative ease. Therefore, institutional

pressures and capability-building may complement one another in this case and interact to drive implementation of EMS in conjunction with GSCM. The study does not investigate whether the institutional pressures or internal capability-building are the primary motivation for adopting EMS and GSCM simultaneously – this could affect how organisations approach this practice as well as their performance.

Clemens and Douglas (2006) combine institutional theory and RBT to explore the relationships between voluntary green initiatives, coercive pressures and internal capabilities. The authors are interested in how internal and external pressures will drive the adoption of voluntary green initiatives, as well as seeking to understand if organisations with superior environmental strategies will be less influenced by coercive pressures. Their research finds that coercive pressures such as regulation significantly affect the adoption of voluntary green initiatives; that superior resources are related to the adoption of voluntary green initiatives; and that there is a weaker relationship between institutional pressures and voluntary green initiatives when superior resources exist. Therefore, there is an interaction effect – the existence of high-level resources reduces the impact of institutional pressures on adoption.

Escobar and Vredenburg (2011) utilise the two theories in order to investigate why some multinational oil and gas companies adopt sustainable development business models. Institutional theory is used in order to explain homogeneity of approach whilst RBT is used to explain heterogeneity and a desire to differentiate from competitors. The study differs from previous ones through the focus on how enterprise strategy, business-level strategies and firm-specific capabilities align. The authors state that “normative and coercive isomorphism does not occur at the global level because sustainable development is largely a stakeholder-driven rather than a broad social pressure” (Escobar and Vredenburg, 2011, p39) and therefore they focus on mimetic isomorphism which may develop over time. Four strategies – green consumerism, reduced risk exposure, reduced cost and reduced liability - are described which may lead to competitive advantage. The authors determine that the use of both theoretical perspectives is important since institutional theory provides explanations for why organisations facing similar institutional pressures develop homogenous approaches; whilst RBT explains how organisations differentiate themselves through developing heterogeneous resources. The study finds that mimetic isomorphism is unlikely within the industry studied, and that there are not significant exogenous pressures for

sustainable development. Therefore, there is an opportunity for organisations to adopt diverse strategies and develop capabilities.

Another study in this area explores the extent to which local pressures and subsidiary resources influence green management adoption by Taiwanese manufacturers (Peng and Lin, 2008).<sup>8</sup> This study does not explore the relationship or interaction between the exogenous pressures and internal resources, but finds that there is a positive relationship between local pressures and the level of environmental management and that subsidiaries with greater resources have better capabilities to adopt environmental management practices.

A study exploring the interactive relationship between exogenous and endogenous pressures on proactive environmental strategy utilises institutional theory and RBT (Menguc *et al.*, 2010). The authors hypothesise that institutional pressures will moderate the relationship between internal capability-building and the adoption of a proactive environmental strategy. They suggest that, “both the internal and external perspectives ...are complementary and capture the extent of a firm’s social performance and responsiveness” (p280). The model adopts entrepreneurial orientation as a capability which is idiosyncratic to the organisation that relates to innovation and risk-taking in order to represent internal pressures; and governmental regulation and customers’ sensitivity to environmental issues as institutional pressures. They find that entrepreneurial orientation affects adoption; and that consumer pressure, but not regulation, has a direct effect on adoption. Finally, Zhu and Geng (2010) utilise institutional theory in order to explain the drivers of extended supply chain practice adoption in relation to emission reduction and energy saving, and resource-based theory in order to explain the barriers since “lack of resource and capability can be barriers for proactive environmental management practices” (p3).

### 2.5.3 Summary and research question

Institutional theory and resource-based theory can be utilised together in order to understand the interplay between exogenous pressures and endogenous capability-building and their influence on the adoption of sustainability practices. Although

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<sup>8</sup> It should be noted that this study uses the natural resource-based view in conjunction with institutional theory rather than the traditional resource-based theory.

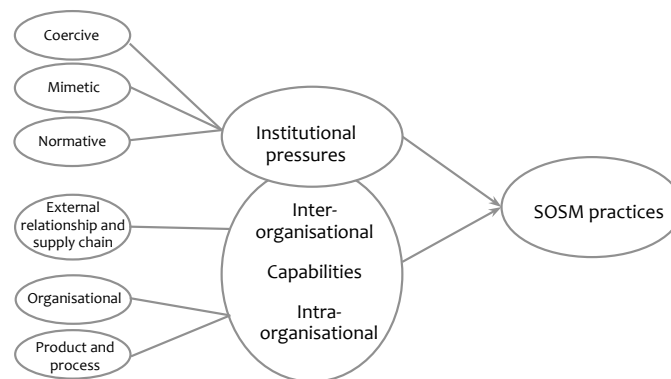
institutional theory and RBT have been utilised in a small number of SOSM studies previously, the interaction between exogenous pressures and endogenous capability-development and how that affects practice adoption requires further investigation. By reviewing the literature focusing on the simultaneous use of resource-based theory and institutional theory in OSM and SOSM, the following research question is posited:

- ***RQ3: How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?***

## 2.6 Summary

Figure 7 demonstrates the factors that may influence SOSM practice adoption – these have become more refined and nuanced due to the review of the literature and incorporate factors from institutional theory and resource-based theory. Through the inclusion of inter-organisational (or boundary-spanning) influences, it is suggested that there will be some overlap in the nature of these pressure and that they will be complementary.

**Figure 7 Factors that may influence SOSM practice adoption (B)**



This chapter has reviewed the extant literature relating to sustainable operations and supply management (SOSM), institutional theory and resource-based theory. This research seeks to contribute to the growing SOSM literature in a number of ways. Pagell *et al.* (2008) highlight that there has been more research into the environmental as opposed to social dimensions of sustainability and that it is important for researchers to carry out ‘holistic’ studies to cover ‘multiple supply chain processes’

and which address issues relating to both environmental and social dimensions. This research considers both the ethical and environmental aspects of sustainability. Although the research is carried out from the perspective of the focal organisation, practice adoption is considered across the entire supply chain. This study also examines the endogenous and exogenous influences on practice adoption. A theoretical contribution relates to the use of both institutional theory and resource-based theory since “another trend [...] is the increased use over time of multiple theoretical lenses within the same study. When done well, such blending of diverse, complementary, and even overlapping theories can help to better develop hypotheses, add rich insights to the interpretation of findings, and help better understand the boundaries of where these theories apply” (Carter and Easton, 2011, p55).

## Chapter 3. Research Design and Methods

### 3.1 Introduction

This research seeks to understand how institutional pressures influence SOSM practice adoption; how capability-building influences SOSM practice adoption; and the interaction between the endogenous and exogenous pressures. This study utilises a case-based approach due to the emergent nature of the topic. It constitutes a pilot study of twelve micro organisations and a main case-based study of four retail organisations within the fashion industry. The pilot study was carried out in order to understand the motivations for, and nature of, sustainability practice adoption by organisations that market themselves as sustainable. This informed the design of the main study where large fashion retailers implementing sustainability practices were investigated. The fashion industry is deemed pertinent for this study due to the fact that it can be considered an extreme case in relation to SOSM (Forman and Jørgensen, 2004) due to its complex, and geographically dispersed supply chains. A single industry sector is valuable in order to compare how organisations adopt SOSM practices in the face of similar institutional pressures but different capability-building foci.

A number of factors influence the choice of research design, including philosophical position, research objectives and extant literature (Gummesson, 1991). The purpose of this chapter is to explore the key decisions made in relation to the research design and strategy utilised for the study, summarised in table 6. Section 3.2 outlines the research philosophy informing this study including ontology, epistemology, and human nature. Section 3.3 considers methodological issues namely, research approach, strategy, choice, time horizon, data collection methods used, the rationale behind industry selection, and unit of analysis. Sections 3.4 and 3.5 provide a detailed discussion of the approach taken for the pilot study and the main study respectively, including design, data collection, and analysis. Section 3.6 considers quality of the data, including ethical considerations, reliability, validity, and minimisation of social desirability bias. The preceding areas are considered in light of the following research questions:

- ***RQ1: How do coercive, mimetic and normative forces influence SOSM practice adoption?***



- ***RQ2: How does internal and boundary-spanning capability-building influence SOSM practice adoption?***
- ***RQ3: How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?***

**Table 6 Research design decisions**

Research Design Stage	Decisions taken for this study
Research Philosophy	Critical Realism
Research Approach	Inductive
Research Strategy	Case Study
Research Choice	Multi-method
Time Horizon	Cross-sectional
Data Collection Method(s)	Interviews Secondary data analysis
Industry Choice	Fashion

### **3.2 Research philosophy**

This section examines research philosophy and the choices made for the study. Philosophy is important in the context of social science research as it helps to clarify the nature of research design (Easterby-Smith *et al.*, 1991). Table 7 outlines the extreme positions in relation to ontology (concerned with the nature of reality), epistemology (concerned with the nature and study of knowledge), and human nature (a belief in free will or predetermined actions).

**Table 7 Meta-theoretical assumptions about the nature of social science.**

<b>ONTOLOGY</b>	
Realism/ Objectivism - social and organisational reality exist independently of human consciousness and cognitions	Nominalism/ Constructivism - reality is a product of our minds, a projection of our consciousness, and cognition with no independent status
<b>EPISTEMOLOGY</b>	
Positivism - it is possible to observe the empirical world in a neutral manner through the accumulation of objective sense-data	Anti-positivism/ Interpretivism - there are no neutral grounds for knowledge since all observation is value and theory-laden
<b>HUMAN NATURE</b>	
Determinism - sees human behaviour as determined by the situation as necessary responses to external stimuli	Voluntarism - human action arises out of the culturally derived meanings they have deployed during sense-making

Adapted from Burrell and Morgan (1979)

### 3.2.1 Ontology

Ontology is concerned with the nature of reality. The main division within this relates to a belief in the objective nature of reality versus a belief in the subjective nature of reality (Burrell and Morgan, 1979). The two main positions within ontology are objectivism and constructivism. Objectivists (realists) believe that social objects/ phenomena exist independently of actors, and that therefore the world exists separately to how people experience it (Bryman, 2008). At the other extreme, constructivists (nominalists) believe that social objects/ phenomena are seen as constructed through what is experienced. As such, individuals create the world through their own experience and these perceptions are therefore constantly revised (Bryman, 2008).

### 3.2.2 Epistemology

Epistemology is concerned with the nature of knowledge and the way that ontological perspectives influence its study. How researchers position themselves ontologically affects how they perceive knowledge and consequently how they approach their research. Researchers who believe that knowledge is objectively knowable (i.e. can be acquired) are likely to undertake work aimed at reaching a single 'truth'. Conversely, researchers who believe that knowledge is subjectively knowable (i.e. personally experienced) are more likely to carry out studies that explore perceptions of truth.

The two extreme epistemological positions are positivism and interpretivism although they have also been termed as *quantitative methodology* versus *qualitative*

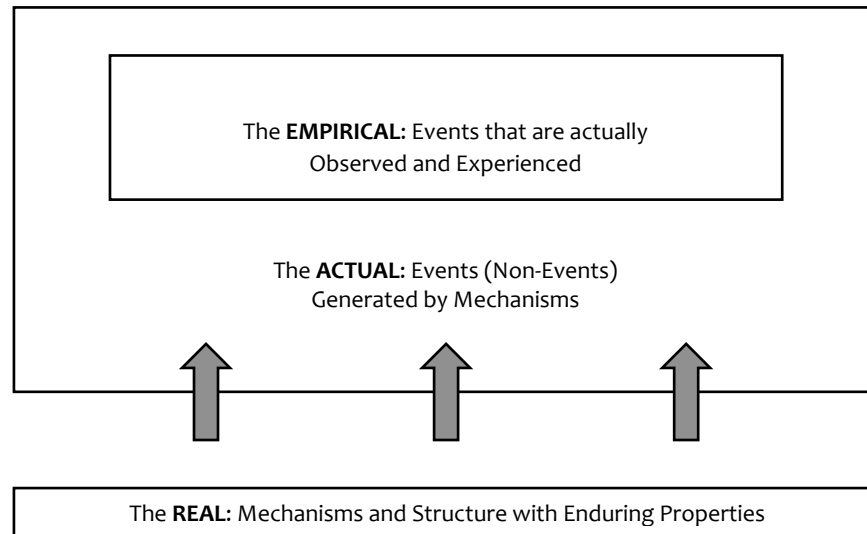
*methodology* (Bryman 2008); *positivism* versus *anti-positivism* (Burrell and Morgan, 1979); *positivism* versus *phenomenology* (Easterby-Smith *et al.*, 1991); and *rational* versus *existential* (Meredith *et al.*, 1989).

Positivists assume that there is an existing external world and that genuine knowledge of it is based on observation. This approach is generally applied in the traditional scientific disciplines as it is interested in facts. Even in the face of a highly complex social world, positivists believe that phenomena can be objectively measured and results used to predict future events or behaviour (Bryman, 2008). The positivist perspective is heavily criticised for being overly simplistic and ignoring important differences in context, cultural values, perceptions and socio-historical complexities of human behaviour (Kuhn, 1962).

At the opposite end of the spectrum, interpretivists (also referred to as anti-positivists) assume that knowledge is related to how we perceive the world (Miles and Huberman, 1994). As such, there is no single truth because it is affected by individual experiences and beliefs. Furthermore, individuals not only interpret events in different ways, they also recount these events differently, exaggerating and suppressing different aspects depending on their own set of social biases (Meredith *et al.*, 1989). As such, a composite ‘truth’ may emerge by combining different versions of the same event, but it is not possible to reach a single objective ‘truth’. Interpretivism is criticised for an over-emphasis on individual perspective with too little attempt to reach common or general truths. In addition, this perspective suffers from the unquantifiable effect of a researcher’s intervention on the phenomenon being studied.

A third approach is that of critical realism or post-positivism (see figure 8). This perspective sits between the extremes of positivism and interpretivism. Within the ontological domain, critical realists take a realist and objective view of ‘being’, whilst within the epistemological domain adopting a more interpretivist perspective, arguing that knowledge is relative, being conditioned by both social and historical conditions (Johnson and Duberley, 2000; Mingers, 2001). As such, whilst social structures and mechanisms may be real, there are significant differences between the actual events generated by such structures and mechanisms and the way in which these events are observed and experienced by individuals. Social phenomena (the ‘actual’) exist independently of social actors (the ‘empirical’) and multiple truths emerge based on multiple perceptions of events (Kuhn, 1962).

Figure 8 The Real, the Actual, and the Empirical (Adapted from Mingers, 2001)



### 3.2.3 Human nature

How the researcher perceives human nature will also affect research design. Two opposing positions are determinism and voluntarism (Burrell and Morgan, 1979). Determinists believe that human nature is predetermined and 'laws' govern behaviour. As such, even apparently random events can be seen to occur as a result of a prior chain of events. Therefore, free will is considered illusory with individuals having little influence over events. In contrast, voluntarists believe in free will in which individuals make decisions within their environment. From this perspective, free will concerns how individuals translate beliefs and desires into voluntary actions. This has significant implications for research since voluntarists believe that they influence their research whereas determinists believe that they do not (Meredith *et al.*, 1989).

### 3.2.4 Philosophical choices for this study

A critical realist position is adopted for this piece of research due to the fact that the researcher believes in an objectivist (realist) ontology, therefore that there is an external reality outside of our perception; but an interpretivist (subjectivist) epistemology, which means that human actors apply their own knowledge to phenomena and that this influences how they experience them. In line with this, the researcher takes a largely voluntarist view of human nature, where actions are determined by free will. However, in partially reconciling the voluntarist and

determinist perspectives, it is argued that whilst free will exists (voluntarism), the beliefs, and hence behaviours, of individuals are strongly moulded by social and environmental structures (determinism). In regard to this study which seeks to understand the influences on SOSM practice adoption, multiple interviews allow for different opinions rather than single respondents as in a survey and therefore takes into account the subjective element of human interpretation and understanding.

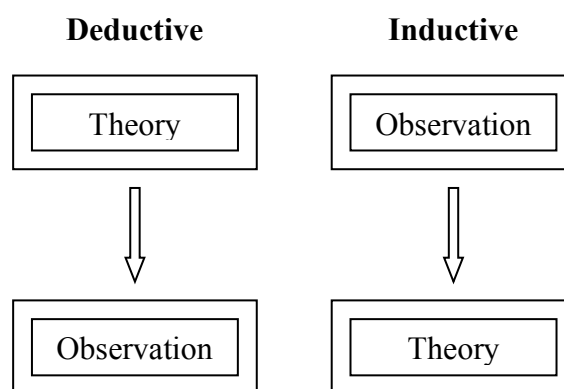
### 3.3 Research methodology

This section explores decisions made in relation to research approach, research strategy, research choice, time horizon, data collection methods, research setting, and unit of analysis. It provides a brief overview of each of these areas before providing further details regarding the decisions made for this study.

#### 3.3.1 Research approach

Bryman (2008) present two fundamental approaches to research – deductive reasoning and inductive reasoning. Deductive reasoning is used to test a pre-existing theory with the intention to generate knowledge. Inductive reasoning begins with observations and findings and generates theory from the regularities and patterns identified (Figure 9).

Figure 9 Research approaches



Adapted from Bryman, (2008)

If a phenomenon is clearly defined and current theory provides relationships or ideas that can be tested empirically, then a deductive approach may be most appropriate (Gill and Johnson, 1997). This usually occurs in the form of quantitative research

where statistics can be used to examine relationships between variables. The nature of this approach allows for statistical testing of relationships between constructs and replication to validate these findings.

In contrast, an inductive approach may be adopted when a phenomenon is less clearly defined and when the research focuses on theory-building. “Theory-building research is begun as close as possible to the ideal of no theory under consideration and no hypotheses to test” (Eisenhardt, 1989, p536). For this type of research, more qualitative methods such as open-ended questioning, participant observation, and discourse analysis, tend to be used. Such an approach allows for a consensus of truth to be established through subjective observational data which can then be falsified (or remain un-falsified) in subsequent research (see Popper, 1963).

A third approach, known as abductive reasoning (Mingers, 2001) involves the development of theory based on observations, followed by the testing of that theory, thereby combining inductive and deductive reasoning. The approach chosen for this study is inductive reasoning due to the exploratory nature of the research and the fact that the topic is not well established within existing literature. This research is interested in the endogenous and exogenous pressures which influence organisations in the UK fashion industry to engage with ethical and environmental practices. Given the emergent status of the topic, a deductive approach would not have been appropriate.

### **3.3.2 Research strategy**

At a broad level, two research strategies – quantitative and qualitative – are typically considered (Bryman, 2008). A quantitative research strategy tends to be suited to theory testing and sits within an objectivist ontology and positivist epistemology. A qualitative strategy is typically suited to theory generation and supports a constructivist ontology and interpretivist epistemology.

Whilst Bryman (2008) categorises the two types of research according to their approach, epistemological, and ontological positions, there is significant overlap between orientations. A number of academics employing mixed methods in their research argue that deterministic links between epistemological positions and research strategies are illusory (Donaldson, 1998; Mingers, 2001). Saunders *et al.*, (2003)

provide a more granular perspective of research strategies, considering seven key alternatives. Advantages and disadvantages of these are considered in table 8 below.

**Table 8 Research strategies**

Strategy	Details	Advantages	Disadvantages
Experiment	<ul style="list-style-type: none"> <li>-Quantitative</li> <li>-Used in natural sciences</li> <li>-Control and manipulation of variables</li> <li>-Artificial or natural settings</li> </ul>	<ul style="list-style-type: none"> <li>- Can identify causality</li> </ul>	<ul style="list-style-type: none"> <li>-Some variables cannot be manipulated so not appropriate for all questions</li> </ul>
Survey	<ul style="list-style-type: none"> <li>-Quantitative</li> <li>-Theory testing</li> <li>-Large sample size</li> <li>-Data can be collected via mail, internet, telephone or face-to-face</li> </ul>	<ul style="list-style-type: none"> <li>-Can explore relationships</li> <li>-Large sample size – generalisability</li> <li>-Focus on breadth</li> </ul>	<ul style="list-style-type: none"> <li>-Does not reflect the complexity of people's beliefs</li> <li>- Problems regarding interpretation of questions</li> <li>- Social desirability bias</li> </ul>
Case Study	<ul style="list-style-type: none"> <li>-Qualitative</li> <li>-Theory generating/ exploratory</li> <li>- Data can be collected via interviews, document analysis and observations</li> <li>-Single or multiple</li> </ul>	<ul style="list-style-type: none"> <li>- Focus on depth</li> <li>- Reflect complexity of people's beliefs</li> </ul>	<ul style="list-style-type: none"> <li>- Small sample – lack of statistical generalisability</li> <li>-Subjective nature of the data</li> </ul>
Grounded Theory	<ul style="list-style-type: none"> <li>-Qualitative</li> <li>-Theory generating</li> </ul>	<ul style="list-style-type: none"> <li>- Exploratory</li> </ul>	<ul style="list-style-type: none"> <li>- Problem of whether it is truly possible to be theory-free when initiating research</li> </ul>
Ethnography	<ul style="list-style-type: none"> <li>-Qualitative</li> <li>-Tends to involve participant observation</li> <li>-Theory generating</li> <li>-Longitudinal</li> </ul>	<ul style="list-style-type: none"> <li>- Can provide profound insight, if trust is created</li> </ul>	<ul style="list-style-type: none"> <li>- Data are not generalisable</li> </ul>
Action Research	<ul style="list-style-type: none"> <li>-Qualitative</li> <li>-Collaboration between researcher and organisation being researched</li> <li>-Iterative</li> </ul>	<ul style="list-style-type: none"> <li>- An active form of research that initiates change</li> </ul>	<ul style="list-style-type: none"> <li>- Potential lack of rigour</li> </ul>
Archival Research	<ul style="list-style-type: none"> <li>-Quantitative or qualitative</li> </ul>	<ul style="list-style-type: none"> <li>- Allows a past issue to be explored</li> <li>-Can consider change over time</li> </ul>	<ul style="list-style-type: none"> <li>-Documents not created with the purpose of the study in mind – might not provide the correct information</li> </ul>

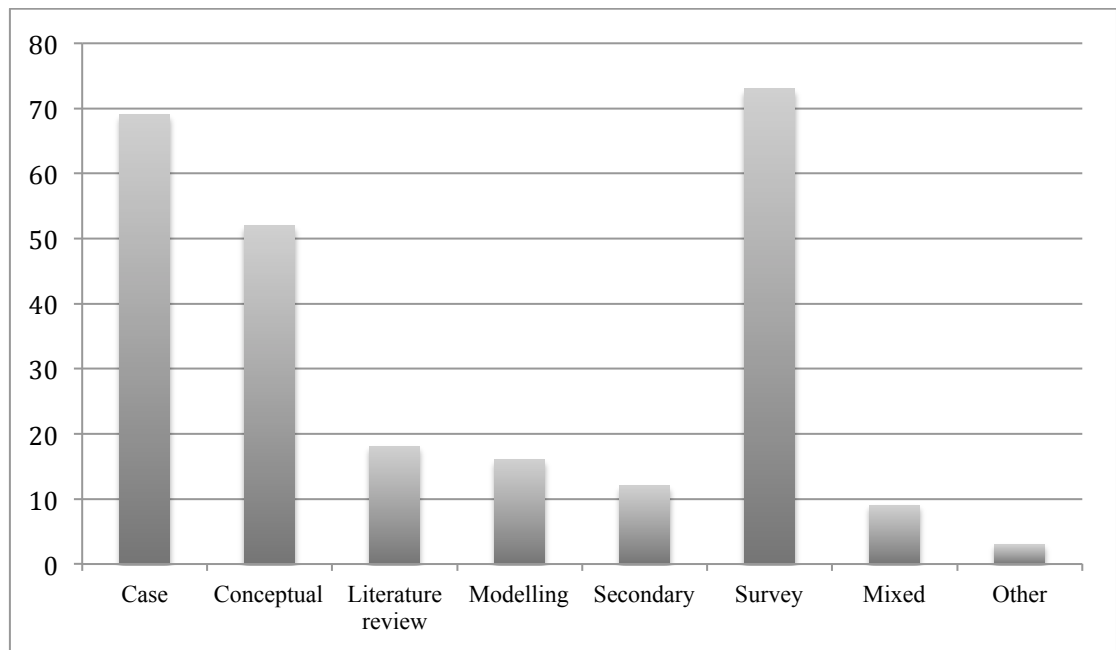
The different strategies have been considered in relation to this study. Experimental research is typically carried out by researchers wishing to prove definitive cause-and-effect relationships by systematically manipulating independent variables in contrived (laboratory) or natural environments (field experiments) (Sekaran, 2003). Experimental research was not deemed to be appropriate due to the complexity of the

topic and the fact that the study does not seek to establish causality. Survey research is most appropriate when the focus of the research is to examine a relationship between constructs using quantitative techniques. Given the inductive nature of the research, the research objectives, and the limited prior knowledge in the area of SOSM, a survey strategy was not deemed to be appropriate for this study. Grounded research seeks to generate theory by carrying out exploratory research. When adopting this approach, the researcher should not adopt a theoretical perspective in advance of empirical work. In practice, this presents significant difficulties because, having reviewed extant literature in a given area, it can be hard to remain truly theory-free when beginning data collection (Saunders *et al.*, 2003). Ethnographic research seeks to generate theory through qualitative studies that are typically longitudinal and often involve participant observation. As with grounded theory, this approach was not adopted given the fact that, to an extent, the theoretical perspective of the research had been determined prior to data collection. Action research is an experimental and reflective design requiring an intervention by the researcher followed by careful observation of the impacts of the intervention (Flynn *et al.*, 1990). As such, the method is most appropriate when some form of intervention is sought and when it is possible to track several intervention cycles. Neither was the case for this study, and therefore action research was rejected as a possible research strategy. Finally, archival research allows issues to be explored over a period of time using quantitative and/or qualitative data sources. A key advantage of archival data is that because it is unaware of being observed, it is (relatively) unbiased. However, the disadvantage is that the researcher has little influence of the type of data available to them. In the case of this study, archival data alone was not adequate since it does not address current attitudes and approaches to sustainability practices in the organisations studied. However, such secondary data proved useful in partially corroborating primary data sources.

Although the SOSM literature espouses the importance of considering the triple-bottom line and integration between the areas of people, profit and planet, it is believed that within the fashion industry, this integration is rarely found. Therefore, given the exploratory nature of the research, a case study strategy has been chosen. “The case study approach is appropriate when there is some knowledge about the phenomenon but much is still unknown” (Meredith, 1998, p452). In addition, the case study strategy is one of the dominant approaches used in SOSM studies within the literature (see figure 10 below).



Figure 10 Distribution of SOSM articles by research strategy (total reviewed 252)



#### *Type of case study*

The case strategy can be further sub-divided into descriptive, explanatory and exploratory (Yin, 1994). Descriptive case studies are typically perceived by scholars as the least academic of the three types due to their focus on simply reporting and observing practices and behaviour (Sen, 1980). Explanatory case research tends to be used to explore cause and effect relationships and is therefore not appropriate given the objectives of this research. The case strategy adopted for this study is exploratory. Exploratory case research is the most common of the three types (Yin, 1994) and focuses on answering research questions, generating propositions, and formulating new research questions based on analysis of data.

#### *Number of cases*

Although within the same methodological framework, researchers can choose between a single- or multiple-case approach. Table 9 compares these approaches:

**Table 9 Comparing single and multiple case study approaches**

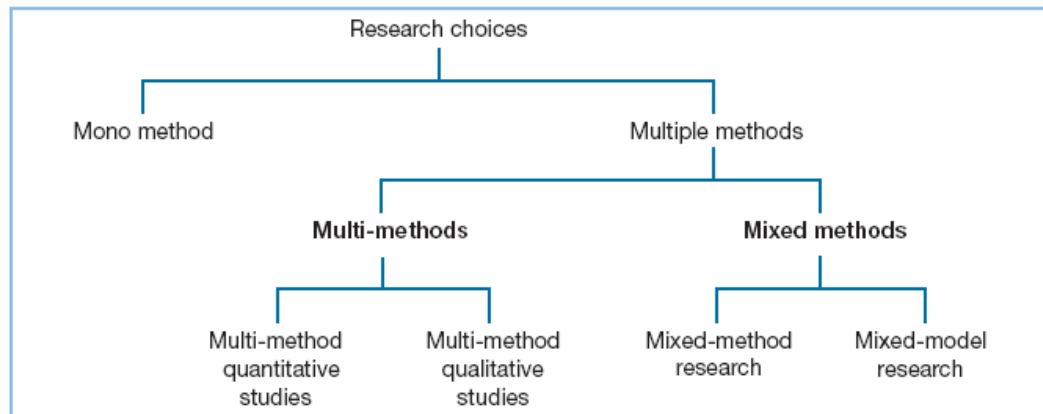
Single case approach	Multiple case approach
Used when a case is unique	Robustness
Used to test a well-developed theory	More compelling evidence
Depth	Increased external validity
Limited generalisability	
Potential bias	

Single cases are typically used to test (or falsify) well-established theories or when a case is considered unique (Voss *et al.*, 2002). Single case studies have the main benefit of allowing high levels of depth in data collection and analysis. In addition, it is easier to examine a single case over a period of time, allowing for longitudinal analysis of certain phenomena. However, a key disadvantage of the single case approach is the limited generalisations it may offer and the likely biases introduced by contextual factors and exaggeration of salient data (Yin, 1994). Yin (1994) argues that, “the evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust” (p45). Therefore, a multiple-case approach was adopted to allow for the necessary in-depth study of SOSM practice adoption within fashion organisations whilst allowing for higher levels of external validity.

### **3.3.3 Research choice**

Saunders *et al.*, (2003) define three key research choices – mono method, multi-method, and mixed method (Figure 11). Mono-method research involves the use of a single data collection technique and complementary analysis method. Multi-method research involves the use of at least two data collection techniques and analysis methods, but constrained within either quantitative or qualitative research. Finally, mixed-methods research involves the use of both qualitative and quantitative data collection and analysis techniques.

Figure 11 Research choices



Saunders et al. (2003)

The research choice made for this study is multi-method. The study will qualitatively analyse primary interview data and secondary archival data. Since the focus of the study is exploratory and therefore on a deep understanding of the topic, it is deemed that a qualitative multi-method approach is appropriate (Sekaran, 2003). Quantitative methods could be used in future research to test the findings from this study and examine their applicability more broadly across the fashion industry, or indeed across other industries.

### 3.3.4 Time horizon

Two time horizons are available to researchers – longitudinal, and cross-sectional. Longitudinal studies take place over an extended period of time and enable the researcher to trace changes over time. They can also be used to study the effect on management interventions, thus allowing cause-and-effect relationships to be established (Easterby-Smith *et al.*, 1997). Cross-sectional studies take place at a single point in time and provide a ‘snapshot’ of practices and behaviours (Saunders *et al.*, 2003). Most field studies tend to be cross-sectional largely due to practical constraints such as time and money (Sekaran, 2003).

The time horizon chosen for this study is broadly cross-sectional since the interviews focus on current practices. Given the time constraints, a longitudinal study was considered impractical. Furthermore, this approach was unnecessary given the objective of the research was not to examine cause-and-effect relationships. However, the use of secondary data, especially CSR reports, and a reflection on practices which

have been in place for a number of years, means that there is also a longitudinal element to the work.

### 3.3.5 Data collection methods

Four key data collection methods were considered for this research – interviews, questionnaires, participant observation, and secondary data (Saunders *et al.*, 2003). The advantages and disadvantages of each are summarised in table 10.

**Table 10 Data collection methods**

<b>Data collection methods</b>	<b>Details</b>	<b>Advantages</b>	<b>Disadvantages</b>
Interviews	<ul style="list-style-type: none"> <li>-Usually used in qualitative research: unstructured, semi-structured</li> <li>-In quantitative research: structured</li> <li>-Individual or focus groups</li> <li>-Carried out face-to-face, telephone or internet</li> </ul>	-Flexibility	-Time
Questionnaires	<ul style="list-style-type: none"> <li>-Quantitative</li> <li>-Carried out face-to-face, via mail, the internet or telephone</li> </ul>	<ul style="list-style-type: none"> <li>-Quick</li> <li>-Cheap</li> <li>-Easy to administer</li> </ul>	<ul style="list-style-type: none"> <li>-Problems of comprehension of the questions</li> <li>-Respondent fatigue</li> <li>-Risk of incomplete data</li> </ul>
Participant observation	<ul style="list-style-type: none"> <li>-Qualitative</li> <li>-Often part of ethnography</li> <li>-Overt or covert</li> <li>-High level of research participation</li> </ul>	- Reflects what actually happens not what a respondent says happens	<ul style="list-style-type: none"> <li>-Time</li> <li>-Ethics, if using covert observation</li> </ul>
Secondary (archival) data	<ul style="list-style-type: none"> <li>-Depth of analysis varies</li> <li>-Uses existing documentation</li> </ul>	<ul style="list-style-type: none"> <li>-Useful for triangulation</li> <li>-Cost</li> </ul>	-Documents might not provide relevant information as they weren't created for the explicit purpose of the research

The case study strategy “typically uses multiple methods and tools for data collection” (Bonoma, 1985, quoted in Meredith, 1998, p442) and for this study two data collection methods have been adopted – interviews and secondary archival data. For the pilot study, interviews were employed in order to explore the drivers of sustainability practice adoption in the fashion industry. It was important to approach the topic with

few preconceptions and to develop research questions based on the identified issues. Semi-structured interviews were used because they are still relatively open but focused on specific issues allowing the researcher to guide the areas to be discussed including what influenced the adoption of SOSM practices, the nature of SOSM practices, and the organisations' overall approach to sustainability.

For the main phase of the study, semi-structured interviews are used alongside secondary archival data in order to investigate the topic fully. The secondary data are largely from corporate social responsibility reports or equivalent, and other publicly available information regarding organisations' ethical and environmental practices. Triangulation is carried out through the interviewing of a number of individuals in each case as well as the analysis of documents relating to ethical and environmental practice adoption, where they exist and are accessible. Escobar and Vredenburg (2011) support the use of such triangulation and state that, "annual reports can be used for studying corporate behaviour especially when the focus is [...] on non-evaluative, descriptive themes [...] such as actions and initiatives taken to address sustainable development pressures" (p51). In addition, such triangulation of data is valuable for a topic that is likely to exhibit relatively high levels social desirability bias. Social desirability bias (also called social acceptability bias) occurs when individuals, in responses to questions, over-report individual or organisational behaviour that they regard as socially desirable, and under-report less desirable behaviour (Phillips and Clancy, 1972; Randall *et al.*, 1993). Individuals are particularly susceptible to social acceptability bias when there is a group consensus around desirable behaviour. In the context of sustainability, this may result in individuals over-reporting SOSM practice adoption because they deem such behaviour to be socially desirable.

### **3.3.6 Research setting / choice of industry**

The research setting for this piece of work is non-contrived because the study does not seek to establish cause-and-effect relationships (Easterby-Smith *et al.*, 1997). A field study is therefore seen to be appropriate with work continuing as normal in each organisation under consideration, rather than being manipulated. Due to the nature of this research and the theoretical perspectives being utilised, it is important to use a single-industry setting in order to be able to make comparisons between the influence of institutional pressures and capability-building on SOSM practice adoption.

The industry selected for this research is the UK fashion industry. Within this industry, there is increasing awareness of sustainability, demonstrated by the publication of sustainable fashion books<sup>9</sup> and conferences such as the Fashioning the Future Summit held at the London College of Fashion in October 2008. Defra's recent studies<sup>10</sup> explore impacts of garments across their life cycle; investigate consumers' knowledge and attitude towards sustainable clothing; and defines stakeholder actions with regard to, for example, improving environmental performance, education, how to create drivers for sustainable clothing, and how to increase supply chain traceability, respectively.

Bruce *et al.* (2004) determines the characteristics of the fashion industry as short lifecycle, high volatility, low predictability and high impulse purchase. The reliance on speed, short product life cycles, and quick design cycles, makes it interesting to consider with regards to sustainability which often espouses the virtues of product durability and slowness. The emergence of fast fashion, where many high street retailers source on a weekly basis to introduce new items (Bruce and Daly, 2006), compounds the difficulty of making more sustainable products and processes.

This study focuses on the influences behind SOSM practice adoption within fashion organisations and their supply chains since "a company is no more sustainable than its supply chain" (Krause *et al.*, 2009, p18). The supply chain within the fashion sector is of particular interest given its increasing complexity arising from global sourcing (de Brito *et al.*, 2008), and the differing impacts and challenges across the stages of the supply chain: materials, design, manufacture, packaging, and logistics. If organisations within this industry find it possible to implement sustainability practices, it is likely that other sectors will be able to imitate practice adoption (Forman and Jørgensen, 2004).

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<sup>9</sup> *Eco-Chic: The Fashion Paradox* (Black, 2008); *Sustainable Fashion and Textiles: Design Journeys* (Fletcher, 2008); and *Sustainable Fashion: Why Now? A Conversation Exploring Issues, Practices and Possibilities* (Hethorn and Ulasewicz, 2008)

<sup>10</sup> *Mapping of Evidence of Sustainable Development Impacts that Occur in Life Cycles of Clothing* (Madsen *et al.*, 2007), *Public Understanding of Sustainable Clothing* (Fisher *et al.*, 2008), and *Sustainable Clothing Action Plan* (2010)

### **3.3.7 Unit of analysis**

The unit of analysis for both the pilot study and the main study is the sustainability practice of the individual fashion organisations. These include both ethical and environmental practices that have been implemented by these organisations within their operation and/or across their supply chains.

## **3.4 Pilot study research methods**

This section describes the pilot study in relation to design, data collection and analysis.

### **3.4.1 Pilot study design**

Due to the emergent nature of the topic, it was important to assess current practice in the fashion industry in order to define questions that were relevant and addressed real issues facing fashion retailers. To this end, a list of the “sustainable” clothing firms in the UK was created using the eco-fashion book *Eco-Chic: the Fashion Paradox* (Black, 2008); the Internet (Google search and websites including the Soil Association); and the online ethical fashion department store Ascension (previously Adili). Within the context of these organisations, the term sustainability has a number of different meanings, often firm-specific, but including: use of organic or alternative materials; use of Fair Trade; use of cooperatives; UK production; use of European, family-run factories; and use of pre-consumer waste. Individual organisations may focus on one element of sustainability or take a broader approach. Pilot study firms were chosen specifically for their ‘sustainable’ focus to enable a deeper understanding of the various ethical and environmental practices that might be considered within the main study.

#### ***Pilot study case selection***

Having established a “sustainable” list, thirty-one firms were contacted by email, letter, or both. Table 11 shows how firms were contacted and the outcome of that contact.

**Table 11 Method of contact and outcomes for pilot study**

	<b>Face-to-face interview</b>	<b>Telephone interview</b>	<b>Email interview</b>	<b>Further information requested</b>	<b>None</b>
Email to specific contact	Green-Eyed Monster, Aravore Babies,				People Tree, Howies, Makepiece
Generic email	Enamore, Beaumont Organic, From Somewhere	Eco-Boudoir	Frank and Faith, Organic Stereo, Elena Garcia	Patagonia, Ciel	Howies, People Tree, Adili, Clothworks, Seasalt, Ascension, Karen Cole, Natural Colour Cotton, Green Baby, Annie Greenabelle, Animal Tails, Amana, Ivana Basilotta, Katherine Hamnett
Generic letter	John Smedley	Asquith London, Komodo			People Tree, Howies, Anatomy, Adili, Frugi

### *Pilot study interview design*

The primary method of data collection used in the pilot study was interviews. In addition to exploring sustainability issues, the pilot study also allowed the researcher to explore the different modes of interviewing (face-to-face, telephone, via email) in order to inform methodological choices for the main study.

The following issues are important to consider when designing interviews: structure, bias avoidance, and the use of recording (Yin, 1994; Easterby-Smith *et al.*, 1997). Considering structure, face-to-face interviews were preferred due to the importance of a rapport being created and due to the guaranteed attention and focus of the interviewee. Interviews were chosen due to the exploratory purpose of the study and a desire to investigate the subject in depth within a number of firms rather than breadth across the industry. The two extremes along the interview continuum are open-ended and structured (Yin, 1994). In order to be ‘non-directive’, a semi-structured interview approach was chosen for both the pilot and main studies (Easterby-Smith *et al.*, 1997). This ensured a level of consistency across interviews in terms of topic whilst still allowing the interviewees a degree of freedom with response. Although it was necessary to consider all the different stages of the supply chain, it was important that respondents could highlight issues within those stages rather than



be directed by the interviewer. By using a general interview guide and supply chain map, there was space for additional information and consequently insights into the topic.

Considering bias avoidance, whilst it is impossible to be entirely impartial, the researcher focused on neutrality during the interviews. An interview guide was used in order to minimise interviewer bias, which can occur when a researcher imposes their own version of events onto an interviewee through both questions used and their interpretation of responses (Easterby-Smith *et al.*, 1997). The pilot study interview guide was refined with other academics in order to avoid biased questioning. This can be found in appendix 1.

The use of recording and transcribing interviews in order to guarantee complete and consistent data has been academically supported (Flynn *et al.*, 1990). Recording allows the researcher to focus on the interview process rather than concentrating purely on note-taking. Transcription allows a full version of the interview to be retained and coded, and allows other researchers access to the full data gathered during the interview process. With the prior agreement of those involved in the research, the majority of interviews were recorded. For one face-to-face interview that could not be recorded (due to loud surroundings) and the telephone interviews, detailed notes were made during the interviews and additional summary notes were made afterwards (Miles and Huberman, 1994).

#### **3.4.2 Pilot study data collection**

Of the thirty-one companies contacted, for the pilot study, twelve agreed to be interviewed. Details relating to the firms are given in table 12. Two of the firms were also interviewed a second time in order to provide greater detail around their practices and test potential questions for the data collection in the main study. Due to the small size of the majority of organisations in the pilot study, it was not deemed necessary or fruitful to have multiple respondents/ interviewees from each firm. The majority of interviews (11 of 14) were carried out with the company directors or owners who oversaw the inclusion of sustainability objectives in their business. In addition, two interviews were with creative directors and one with a marketing director. The interviews explored issues including the nature of the firms and their supply chains;

implementation of sustainability practices; drivers and barriers to sustainability; trade-offs; and the potential effect of growth on the firms' ability to remain sustainable.

**Table 12 Details of pilot study firms**

<b>Company</b>	<b>Sustainability Focus</b>	<b>Turnover</b>	<b>Other details</b>
Aravore Babies	-Sustainable development	Undisclosed	-Children's wear -Use of cooperatives in Paraguay -Use of organic materials where possible
Asquith London	-Use of organic materials	£100,000-£250,000	-Women's leisure wear -Transferred to organic materials in 2008 -Manufactured in Turkey
Beaumont Organic	-Use of organic materials	£100,000-£250,000	-Women's wear -Manufactured in Portugal
Eco-Boudoir	-Use of organic materials	Undisclosed	-Women's lingerie -Planning to move production to France
Elena Garcia	-Use of organic materials and made in the UK	£0-£50,000	-Women's wear
Enamore	-Use of sustainable materials and made in the UK	£0-£50,000	-Women's lingerie and clothing -Pieces largely made to order
Frank and Faith	-Use of organic materials and made in the UK	£50,000-£100,000	-Women's and men's wear
From Somewhere	-Use of pre-consumer waste	£50,000-£100,000	-Women's and men's wear -Individual pieces Use of cooperative in Italy
Green-Eyed Monster	-Use of sustainable materials	Undisclosed	-Children's wear -Manufactured in Portugal, except knitwear made in Peru
John Smedley	-Made in the UK	£15,000,000	-Women's, men's and children's wear -Wool sourced from New Zealand, certified
Komodo	-Sustainable development	£1,000,000+	-Women's and men's wear -Manufactured in Nepal
Organic Stereo	-Use of sustainable materials	Undisclosed	-Women's wear -In process of closing down

### 3.4.3 Pilot study data analysis

Data were entered into the NVivo data analysis package in order to manage the data, and coded according to themes. These themes largely emerged from the interviews rather than from pre-determined categories. During coding, written notes and extant sustainability literature were regularly reviewed in order to refine the themes. This was an iterative process that required returning to the data a number of times in order to refine and re-code. The examination of ethical and environmental practice adoption and the motivations for these practices within fashion organisations allowed for further

refinement of research questions and interview guide for the main study. A summary of the key findings from the pilot study is provided in appendix 2.

### **3.5 Main study research methods**

This section describes the design, data collection and analysis for the main study. The use of multiple case studies allows the researcher to draw broader conclusions around the findings, which is especially relevant in light of the theoretical perspectives used.

#### **3.5.1 Main study design**

##### ***Main study case selection***

This research uses purposive sampling, where the researcher does not sample participants of the research on a random basis (Bryman, 2008). Miles and Huberman (1994) note that qualitative samples are typically purposive because the “initial definition of the universe is more limited” (p27) and therefore random sampling of this smaller number might increase bias. The following criteria were used in order to help select appropriate cases and guarantee a degree of homogeneity:

Firms selected are:

- In the UK fashion industry
- Active in implementing some kind of ethical and environmental initiatives
- Have sufficient information and are willing to be involved in the study

In order to also ensure a degree of heterogeneity, the following criteria were also used:

Firms selected have a:

- Variety of ownership structures
- Variety in methods of selling
- Variety in turnover

Yin (1994) states that “each case must be carefully selected so that it either (a) predicts similar results (a literal replication) or (b) produces contrasting results but for predictable reasons (a theoretical replication)” (p46). The homogeneous aspects of the

organisations mean they should be comparable – similarities may be explicable by the use of institutional theory and differences through the use of the resource-based theory, focusing on the development of capabilities for competitive advantage.

It is necessary to select typical cases rather than atypical ones since the research is largely exploratory in nature (Yin, 1994). Given that the research aims to study how ethical and environmental practices are approached within the focal firms, it is necessary that the organisations selected have engaged with sustainability to a certain extent and have a number of practices in place. This could be assessed through publically available information, since fashion organisations tend to promote their sustainability performance to a certain extent, and also through initial contact with organisations.

In line with Glaser and Strauss' (1967) notion of theoretical saturation, the aim was to interview enough individuals/firms to reach a point where no new issues were emerging. A number of firms were identified as possible cases for the main study based on the criteria above. They were then approached via email or mail in order to encourage interest and arrange a preliminary meeting. From this, four organisations agreed to participate in the research, a number deemed as appropriate for case-based research (Eisenhardt, 1989).

An initial case was selected for the main study and had a dual function of securing data for the study and refining the interview protocol for the main study. This emphasis allowed the researcher to ensure that the key respondents were approached in the later cases. A broad range of interviews were carried out across a variety of functions including design, merchandising, buying, and supply chain. This highlighted that some roles were not sufficiently informed in relation to the topic under investigation to fully answer questions. Three further cases were then selected for the second part of the main study with interviewees selected after initial contact. Due to access issues, the number of interviews in the fourth case was the most limited. Therefore, as with the other three cases, secondary archival data, in this case in the form of CSR reports, were used to supplement and triangulate the primary data from interviews. The reports were found to be comparable with the information of sustainability practices provided by interviewees. Company information for the four cases in the main study is provided in table 13, whilst specific approaches to ethical and environmental practices will be covered explicitly within the analysis chapter.

Table 13 Company information for main study case organisations

	Case 1: New Look	Case 2: Boden	Case 3: Asos	Case 4: Marks & Spencer
<b>Founded</b>	1969	1991	2000	1884
<b>Turnover</b>	£1,464 million	£232 million	£339.7 million	£9,934 million
<b>Profits</b>	£98 million	£32.5 million	£15.7 million	£489.6 million
<b>Number of employees</b>	30,000	800+	1000+	76,267
<b>Ownership</b>	Private – venture capitalist	Private	Public	Public
<b>Customer demographic</b>	16-45, value-focused	35-45, professional	16-34, fashion-conscious	50+, quality conscious
<b>Focus</b>	Womenswear and accessories / small range of menswear and childrenswear	Womenswear, menswear, childrenswear, and babywear	Womenswear, menswear, footwear, and accessories	Womenswear, menswear, babywear, specialist ranges, mid- to high-end food products, cosmetics, homeware, finance, and utilities
<b>Countries of operations</b>	1,051 stores in 15 countries	Mail order in UK, USA, and Germany (12,500 parcels each day from UK warehouse and 3,750 from USA)	UK but growing overseas market	703 stores in UK, 361 in 40 other countries / Online 2005
<b>Method of selling</b>	Bricks and mortar (and online function)	Online / catalogues + 2 stores	Online	Bricks and mortar (and online function)
<b>Rate of growth</b>	Moderate-high	High	High	Low

New Look was chosen for the main study for a number of reasons, including pragmatic considerations relating to access. Initial contact revealed that the firm is relatively committed to sustainability and have been carrying out ethical practices since 1999. At the beginning of this research, they were beginning to engage with environmental practices more strongly. The fact that the organisation is large, has a fast fashion focus, and faces many of the typical constraints of the industry also made this an appropriate choice. Although Boden is a smaller organisation than the others considered in the main study, it is growing steadily and demonstrates a strong commitment to ethical practices and social responsibility. Environmental issues are also addressed within the organisation, though to a lesser extent. Asos represents a rapid growth organisation and its platform, that of an online store, is important especially given its influence on how sustainability is being approached. It demonstrates a commitment to both ethical and environmental dimensions of sustainability through its recent creation of a CSR department. The inclusion of organisations which retail online is important due to the tremendous growth in this form of shopping (Edwards *et al.*, 2011). M&S is the largest of the four case organisations in the main study and arguably the most committed to sustainability. This organisation is at the forefront of the sustainability agenda within the UK both within the fashion sector as well as other sectors such as food. As a first mover, M&S is important in terms of the state of sustainability within the fashion sector, and its CSR reports, published annually since 2003, are helpful in identifying current best practice.

### *Main study interview design*

The aim of the semi-structured interviews was to map the ethical and environmental practices of each organisation, including the drivers of those practices and the time scales involved. The focus on ethical or environmental issues meant that the number of interviewees was limited and varied in each organisation. It was crucial to talk to people with a detailed understanding of the practices and these were identified during early communications with the case organisations.

The interview guide (see appendix 3) was designed to be relatively broad, covering the operation and its supply chain. The interviews began with initial introductions and a brief description of the research. Interviewees were asked permission to record the

interview and assured of confidentiality. The interviews covered identification of the interviewees' role in the organisation; responsibilities; what sustainability means to the organisation; approach and drivers of sustainability; the tracing of various supply chains in relation to sustainability (and consequently what sustainability practices exist and where they occur); where sustainability is (and is not) considered in decision-making; ease of implementation; and barriers.

Social desirability bias may be a concern within sustainability research. In order to combat such bias, the drivers relating to the sustainability practice adoption are to be considered theoretically using resource-based theory and institutional theory rather than relying solely on interviewee responses. Therefore, patterns of practices will be used to assess the existence of internal and external pressures. As noted in relation to the pilot study, the use of recording and transcribing allows the researcher to focus on the interview process rather than concentrating purely on note-taking (Flynn *et al.*, 1990). Therefore, with the agreement of participants all interviews were recorded where possible and transcribed verbatim.

### 3.5.2 Main study data collection

Within the main study, a total of forty interviews were completed across the four case organisations. Within phase one of the main study (Case 1), early telephone interviews and face-to-face meetings helped to establish potential interviewees who were knowledgeable regarding ethical and/or environmental practices within the organisation and its supply chain. Table 14 outlines the number of interviews and the interviewees.

**Table 14 Main study - phase 1 data collection**

<b>Interviewees' departments</b>	<b>Number of interviews</b>
Human Resources	1
Communications and Social Responsibility	4
Buying, Merchandising and Design	8
Ethical Management	4
Environmental Management	3
Supply Chain	2
External Ethical Consultant	1
External Environmental Consultant	1

Interviews lasted between twenty-five and ninety minutes depending on interviewees' knowledge of sustainability practices within New Look. Where informal discussions continued after recording, detailed notes were made and information included where relevant. Interviewees were e-mailed and thanked for their participation in the research and in some cases were requested to clarify or expand upon certain issues. It quickly became apparent that a number of the interviewees in phase one lacked the necessary knowledge to be of significant value to the study. This affected the approach for the other primary data cases in phase two, with a focus on fewer, longer interviews with key informants relating to sustainability. Within the three cases for the second phase of the main study, initial e-mails and meetings helped to determine interviewees. Table 15 details the interviewees within the three organisations.

**Table 15 Main study - phase 2 data collection**

Organisation	Interviewees' departments	Number of interviews
Boden	Board member	1
	Purchasing	1
	Ethical Management	2
	Catalogue design	1
	Packaging	1
Asos	CSR Team	3
	Purchasing	2
	Quality Assurance and ethics	1
M&S	Plan A Strategy	2
	External consultants	2

Interviews lasted up to ninety minutes and where informal discussions continued after recording, detailed notes were made prior to analysis. The number of respondents in each case was chosen due to the nature of the research questions and the knowledge of potential informants. Voss *et al.*, (2002) state that “if a set of questions can be reliably answered by one ‘key informant’, then the research process should focus on identifying these and validating that this person(s) is indeed one” (p205). Data collection in the first main case in this study allowed for the identification of the types of key informants to consider for other cases in the second phase of the main study. As



noted, case 4 (M&S) was slightly problematic due to emergent access issues, which resulted in added emphasis on the collection of extensive secondary archival data, in the form of CSR reports and publicly available information, to complement primary interview data.

### **3.5.3. Main study data analysis**

Interviews were transcribed within a day of taking place, along with any extra notes and themes deemed pertinent. Data were then entered into the NVivo qualitative analysis software package, which is commonly used for this kind of analysis. Codes were used to assign meaning “to the descriptive or inferential information compiled” (Miles and Huberman, 1994, p56). Initial coding was completed using a ‘grounded approach’ in order to ensure that the “analyst is more open-minded and context-sensitive” (Miles and Huberman, 1994, p58). Initial categorical coding was carried out around themes such as sustainability practice adoption, drivers, and barriers to implementation. These were then reviewed and broken into sub-categories relating to environmental, ethical and sustainability dimensions to show clusters; and then further into categories describing the individual practices. The coding process is iterative and the data were reviewed several times in relation to the codes. The coded practices were then amalgamated in different ways using thematic coding until a comprehensive list was created – these pattern codes were essential for cross-case analysis (Miles and Huberman, 1994). The data went through several stages of coding. Initial coding identified themes. The next stage of coding identified practices and influences on practice adoption. Examples of external pressures were coded according to the three types of institutional pressure whilst the practices were coded in relation to the three categories of capability-building identified as relating to resource-based theory. Interaction effects were considered by layering of the two. The descriptive codes were then utilised together across the cases and considered in light of the theoretical perspectives chosen for this research. These highlighted patterns across the data. Due to the nature of the theories and data, it was important to consider all of the cases together in light of the theories used. Similarities and differences across the cases were highlighted through the patterns of practices.

### 3.6 Ensuring quality of data

In order to contribute to existing knowledge, it is necessary to show research quality in terms of reliability and validity (Yin, 1994). Three main criticisms are directed against the nature of case study research. These are that there is a lack of statistical validity, the failure to test hypotheses, and an inability to generalise findings (Gummesson, 1991).

Some academics identify a trade-off between the statistical validity of survey research and the comprehensive nature of case study research. For example, Miles (1979) considers the tension between the importance of generalising across a population with the particular contextual factors and environment in which a case study is carried out. He questions whether researchers must always trade close-up descriptive validity for accurate, but ‘thin’ generalisations. However, other researchers believe that case study research *can* yield generalisations. These are not statistical, as in the case of survey research, but ‘theoretical’ (Glaser and Strauss, 1967; Yin, 1994). Case study findings may lead to generalisations as long as they are the result of a thorough and precise study design. Research quality can be evaluated in terms of reliability, and validity (Yin, 1994; Miles and Huberman, 1994). This section describes the quality issues considered within the design of this study including ethical considerations, reliability, validity and social desirability bias and the measures taken to improve the quality of data.

#### 3.6.1 Ethical considerations

Bryman (2008, p118 based on Diener and Crandall, 1978) explores four areas relating to ethics including (1) whether there is harm to participants; (2) whether there is a lack of informed consent; (3) whether there is an invasion of privacy; and (4) whether deception is involved. The research topic is not deemed to be harmful since it does not deal with personal issues. However, data protection is also related to this topic and therefore the principles of the Data Protection Act, which relate to personal information have been observed in the development of this research. Although informed consent forms were not used in the pilot or main study, verbal consent was sought. When potential interviewees were contacted in the pilot phase of this study, they were informed of its general subject and purpose. Involvement in the study was entirely voluntary. At the start of interviews, the participants were informed that they

did not have to answer any of the questions if they were uncomfortable with the subject area. Considering privacy, none of the firms have expressed a desire to be anonymous at this point. If any information has been provided in confidence, it has remained as such. Finally, the researcher has been very clear about their position and intentions during the research process.

### **3.6.2. Reliability**

The ability to replicate findings is known as reliability. Within the critical realist perspective, this is an important concept since it assumes that there is an objective reality and therefore research should be replicable. In line with the suggestions of Yin (1994), the collected data, including notes, observations, transcripts, secondary documentation and coding have been filed and remain available to other researchers wishing to replicate the approach taken by the author. This helps to create a ‘chain of evidence’ leading from the original data to the analytical findings (Easterby-Smith *et al.*, 1997).

### **3.6.3 Validity**

The type of validity most appropriate to this study is that of external validity which refers to the generalisability of the findings outside of the context of the original study. Due to the case-based nature of the research, there is a reliance on theoretical sampling (Glaser and Strauss, 1967) which allows for analytical generalisation, rather than statistical generalisation. As such, findings are likely to be generalisable to organisations that fulfil the purposive selection criteria laid out in section 3.5.1. Findings may also be partially generalisable to firms in similar kinds of industry (i.e. those that are relatively labour intensive).

### **3.6.4 Minimising social desirability bias**

As noted earlier in this chapter, when a degree of consensus has been formed around a subject, there can be an issue around the susceptibility of respondents to social desirability (or acceptability) bias (Phillips and Clancy, 1972; Randall *et al.*, 1993), which may reduce the empirical validity of responses. In the context of sustainability, this may result in individuals over-reporting SOSM practice adoption because they

deem such behaviour to be socially desirable. Therefore, it was important to take measures to minimise social desirability bias. The information surrounding organisational practice adoption can be regarded as objective and therefore less subject to social desirability bias since the interviewees were not requested to evaluate these practices. The pressures surrounding the implementation of these practices may have been subject to social desirability as seen in the pilot study where organisations often stated a desire to do the right thing. Therefore, the patterns of practices are addressed using two theoretical perspectives in order to understand the pressures driving sustainability within this industry rather than relying purely on interviewee responses.

## Summary

This chapter has examined the key decisions made in relation to research design and strategy utilised for the study. The study adopts a critical realist position incorporating an objectivist (realist) ontology, but an interpretivist (subjectivist) epistemology. In line with this philosophical position, the researcher takes a largely voluntarist view of human nature, where actions are determined by free will. Considering research methodology, an inductive reasoning approach is taken due to the exploratory nature of the study and the fact that the topic is not well established within existing literature. The research strategy selected is an exploratory case study, because it is seen as the most effective way of undertaking an in-depth investigation of sustainability practice adoption with the fashion industry. A multiple-case approach, using multi-methods (primary interview data and secondary archival data) with a cross sectional time-horizon is applied. A total of fifty-four interviews were carried out during this study. For the pilot study, fourteen semi-structured interviews were carried out in twelve small fashion organisations to develop research questions based on the identified issues. For the main study, a mix of forty semi-structured interviews and secondary archival data were used to investigate research questions more fully within four larger fashion organisations – New Look, Boden, Asos, and M&S. Transcribed interview data were entered into NVivo and coded based on emergent themes. Coded practices were then amalgamated in different ways using thematic coding for cross-case analysis. The next chapter presents within-case data analysis from the main study.

## Chapter 4. Within-Case Analysis

### 4.1 Introduction

This chapter presents the analysis for the main study sequentially in relation to the three research questions. For each question, data are presented for the four cases from relatively immature to relatively mature. The relative sustainability maturity of the four organisations is determined by the number of practices relating to ethical, environmental or sustainable behaviour carried out as well as the average age of those practices (Figure 12). Therefore the order of cases is: Boden, Asos, New Look and finally M&S. Further details relating to the organisations' sustainability maturity are presented in table 16. Section 4.2 investigates the first research question: *How do coercive, mimetic and normative forces influence SOSM practice adoption?* Section 4.3 investigates the second research question: *How does internal and boundary-spanning capability-building influence SOSM practice adoption?* Finally, section 4.4 investigates the third research question: *How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?*

Figure 12 Sustainability maturity of four case organisations

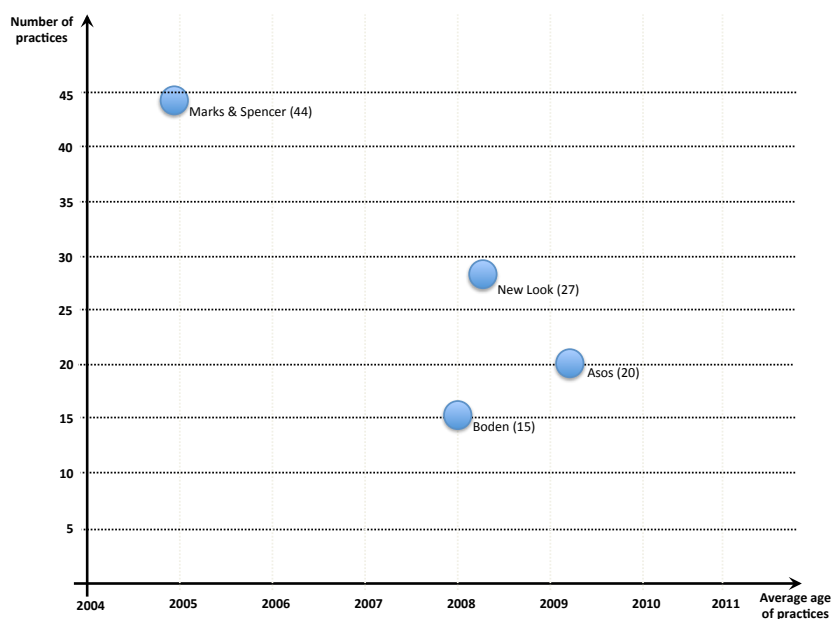


Table 16 Overview of organisations' sustainability

	BODEN		ASOS		NEW LOOK		MARKS & SPENCER	
Nature of programme	Ethical and environmental initiatives handled separately in the business		CSR department –fashion with integrity strategy. Ethical and environmental practices are dealt with separately within the department but overseen by the same person – the head of CSR		Ethical and environmental initiatives are handled separately in the business		Plan A – a strategy which covers both ethical and environmental initiatives and is widely marketed	
	Ethical	Environmental	Ethical	Environmental	Ethical	Environmental	Ethical	Environmental
Year of formalisation	2008	-	2009		1999 (refocused 2006)	-	2007 for Plan A	
Does the organisation publish CSR reports	No		No		No		Yes, since 2004	
Position of organisational hierarchy	Ethical trade manager reports direct to board	Initiatives fall into individual departments	Head of CSR – but work mainly carried out by technologists	Head of CSR – 1 person has just started with focus on this	Head of quality assurance and ethical trade under group SC director	Not formalised. Monitored by head of group comms.	CEO directly responsible and all staff have to demonstrate how they have contributed to Plan A	
Specific personnel assigned	2	0	2 (+14 technologists for whom this is secondary)	3 (including 2 who also deal with ethical issues)	3 (including 1 in China)	0 for supply chain. 1 environmental manager as of late 2010	Not stated	Not stated
Internal training	Training of buyers, designers, technologists, merchandising	Training only related to catalogues	Planned for buying teams but not yet undertaken	None	Training of buyers, merchandisers, technologists	None	All regional office staff are trained with focus on design, buying, and technical specifications	

## 4.2 Within case analysis (RQ1): How do coercive, mimetic and normative forces influence SOSM practice adoption?

### 4.2.1 Institutional pressures – Boden

This section explores the existence of institutional pressures – coercive, mimetic and normative – in relation to sustainability within Boden. The sources of these pressures relate to those outlined in table 4 on page 49. The pressures are examined in relation to the organisation’s aims and objectives relating to sustainability, that is the motivation for the broad adoption of SOSM practices, as well as in relation to specific practices, such as recycling. No evidence was found for mimetic or normative pressures for the overall aims and objectives in this case.

#### *Aims and objectives - coercive*

External, institutional pressures often drive leadership commitment to ethical issues. Ethical practices relating to governance such as monitoring of suppliers are perceived as the “*right thing to do*” (B1) within the organisation, suggesting a coercive pressure created by cultural expectations driving the organisation towards legitimacy. This is due to the fact that the “right” thing to do is what is perceived by external stakeholders or “*what our customer wants, they get*” (B3). Therefore, broadly, ethical practices within this organisation can be seen as being influenced by this institutional pressure. Ethical trade is “*about good business practices, treating your employees properly, good HR and everything else. And then you naturally end up with this equals ethical trade*” (B2). This refers specifically to the importance of training employees around the consequences that their decisions may have on suppliers. The ethical practices carried out by the organisation, such as the formation of a department, closer monitoring through SEDEX<sup>11</sup>, and monitoring in relation to the code of conduct, all contribute to improving standards and meeting societal expectations of organisations within this industry which may drive normative pressures in the future. For example, the ethical department tries “*to educate the teams about knowing where they’re getting parts of their product from, where are they buying their yarns from, where are they*

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<sup>11</sup> SEDEX stands for the Supplier Ethical Data Exchange, and was started in 2001 by a number of retailers and their suppliers. One of its aims is to alleviate some of the pressure of multiple audits for suppliers by allowing information to be stored centrally on a database. Both retailers and suppliers can be members.

*buying the materials from and what sort of questions should they be asking. So that's kind of in development if you like"* (B2). Although these practices are motivated by cultural expectations to date, they may drive normative pressures.

Similarly, in order to fulfil cultural expectations relating to governance of suppliers, Boden has also used external consultants to provide training. The firm uses an organisation called Impactt which is widely used within the industry and focus on the ethical dimension of sustainability. The training is largely focused at the buyers: *"now we've done this training, and through further training with the teams, they will probably ... have the ability to be able to start some of those ethical questions as well"* (B2). Providing their employees with greater knowledge in this area means that they are equipped to make informed decisions around areas such as lead times and understand the impact of those decisions. It can be difficult to alter the way that buyers behave and to consider the impact of decisions on suppliers: *"So the difficulty is actually changing your behaviour patterns and still being able to meet your objectives i.e. deliver good quality product on time, and obviously our pressures are in order to give the supplier enough time in order to do his part of the deal, to provide it without putting him under undue pressure"* (B6). Although training and the use of consultants are currently motivated by coercive pressures, these may become a source of normative pressure.

Pursuit of legitimacy through brand protection can also be perceived as a coercive pressure: *"So where we think there are higher risks so potentially people doing handwork or subcontracting or anything along those lines that we've discussed or we know about. Then we would also look into that as a priority"* (B2). Due to the nature of sub-contracting, it is seen to be less transparent and Boden therefore feels that it is an area which needs closer observation due to the risks involved in unethical working conditions. Leadership commitment to ethical trade is an illustration of the pressures being exerted on the organisation.

### *Specific practices - coercive*

The greening of catalogues through the use of FSC and PEFC<sup>12</sup> certified paper has been influenced by coercive pressures in the form of customers: *"our customers are*

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<sup>12</sup> FSC stands for Forest Stewardship Council and is an international organisation which promotes the responsible management of forests globally. PEFC stands for Programme for the Endorsement of Forest



*well-read, intelligent, they know what's going on in the world, a lot of them are environmentally conscious, doing recycling, so are going, we're getting this many catalogues, what are you doing to help the environment ... so I think a lot of it was the needs of our customers really"* (B3). This organisation is nearly entirely mail order with approximately twenty million catalogues delivered in 2010 and therefore the materials used for catalogues are important since they are linked to customer perception of the organisation. The notion of "what our customer wants, they get" is also reflected in the greening of packaging which was operationalised through an external stakeholder: *"one of our suppliers, that was making boxes for us, came to us and said hey did you know that you can put a percentage of recycled material into these boxes for not very much money? And after sending the quote round the building and explaining to everybody that it wouldn't affect the quality or the box, the strength of the box, and all the rest of it, everybody was ok to put a percentage in there"* (B4). Greener packaging refers to the plastic bags used to send out customer orders; and cardboard boxes used to send out customer orders for the teenage Johnnie B range. Both are made out of sustainable materials but designed specifically for the target market.

#### *Specific practices - mimetic*

In addition to coercive pressure, mimetic pressure is also perceived as a motivator towards greener packaging: *"It all seemed to happen all at the same time, there was a lot of companies doing it at the same time and I think it was probably the fact that the prices for these things went down at about the same time. So I think that's why everyone started to look at things at roughly the same time because it became a more financially viable option, 'cos at the end of the day we are a company and we want to make money"* (B4).

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Certification and is an international organisation which also promotes the sustainable management of forests. Both have certification schemes.

### *Specific practices - normative*

Boden joined the ETI in 2008/9.<sup>13</sup> The existence of the ETI could help to explain why the ethical side of sustainability is more developed in the fashion industry. The formation of the organisation's ethical department was carried out in conjunction with joining the ETI. It provided the organisation with *"a sort of broad framework in which to operate and ... [they] could then set targets and milestones of what we want to achieve in the first two years."* (B1) This helped to guide the initial ethical work within the organisation. The development of a code of conduct in relation to the ETI base code can also be seen as an illustration of a normative pressure. Normative pressures have also emerged in relation to indirect materials in relation to the catalogues since *"a lot of our printers were becoming FSC and PEFC certified so there was reason for [using greener materials] then"* (B3).

### **4.2.2 Institutional pressures – Asos**

This section explores the existence of institutional pressures – coercive, mimetic and normative – in relation to sustainability within Asos. Within this organisation, there was no evidence of normative pressures in relation to the overall aims and objectives, nor was evidence of mimetic pressures relating to specific practices identified.

### *Aims and objectives - coercive*

Investors can be identified as key stakeholders for public companies such as Asos and within this organisation, this coercive pressure focuses on ethical practices: *"Those stakeholders are very concerned about CSR and sustainable business but particularly ethical trade 'cos they see that as a potential risk"* (A1). These particular stakeholders – shareholders – are concerned with legitimacy especially in relation to labour standards. Therefore, broadly, ethical practices within this organisation are seen to be influenced by this institutional pressure. The ethical dimension of sustainability is perceived as an area driven by brand protection: *"I think like any business the original driver has always been, like any other retailer, brand protection"* (A3) which can also be seen as risk minimisation since there would be negative publicity if unethical practices were discovered: *"You have the fact that it's also the risk aversion, the*

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<sup>13</sup> The ETI was founded in 1998 and is an alliance between trade unions, NGOs and companies across a variety of industries focusing on improving labour standards. Its base code is often used or adapted by firms.

*amount of bad press you can get if someone finds that you're sourcing goods from a sweatshop in New Delhi, for example, is not worth it. If they find that you're sourcing animal products from some horrible tannery in whatever area then it's not worth it. So partly it is a risk aversion strategy, it's making sure that you're doing the best to not get your company in muddy waters"* (A2). This is directly related to the way that customers perceive issues within this industry. In terms of current potential risk, ethical behaviour is seen to be more important than environmental behaviour: *"if we screw up in the supply chain, if we don't have the right partners..., working with us over in China or wherever our factories are, then we can get bitten really, really hard and we want obviously to be doing the right thing"* (A2). Therefore, this helps to inform the organisation's supply chain practices.

### *Aims and objectives - mimetic*

Mimetic pressures for ethical practices also exist: *"all the people that are big and established are years ahead of us, and we can obviously learn from the best practice but it's still a journey for us"* (A1). Therefore, competitors carrying out sustainability initiatives are seen as a pressure to act in a certain way as well as highlighting a desire to exceed them: *"you have the fact that other companies are doing it, obviously, and we'd like to do it and we'd like to do it better than them"* (A2). This relates to broad sustainable practices in order to reduce environmental impact as well as to reduce ethical risk.

### *Specific practices - coercive*

When describing the organisation's desire to become carbon neutral, it was seen as the *"spirit of wanting to do the right thing"* (A1). This appeared to be the attitude towards improving environmental and ethical performance in general: *"It's the right thing to do, that's my own personal point of view, it's the right thing to do"* (A2) and in relation to building better relationships with suppliers: *"a) it's the right thing to do and b) it's good for your business"* (A2). Therefore this is motivated by legitimacy – a desire to do the right thing in the public eye. A packaging initiative relating to the use of bags which are fully recyclable and made increasingly of recycled materials has been carried out, partially because *"it's a customer-facing thing that if you do properly that can have a really big impact on how you're perceived but also on just general environmental awareness"* (A2). Therefore, consumer pressure is deemed to be influential.

### *Specific practices - normative*

Asos joined the ETI in 2009. The ethical dimension of sustainability within this organisation “*has a little bit more oomph behind it because we are members of the ETP*” (A2). The development of a code of conduct in relation to the ETI base code can therefore be seen as an illustration of a normative pressure.

### **4.2.3 Institutional pressures – New Look**

This section explores the existence of institutional pressures – coercive, mimetic and normative – in relation to sustainability within New Look. Within this organisation, there was no evidence of normative pressures in relation to the organisation’s sustainability aims and objectives, nor was there evidence of mimetic pressures relating to specific practices identified in the data.

### *Aims and objectives - coercive*

Coercive pressures are illustrated by the existence of leadership commitment to the ethical agenda. The ex CEO and chairman was “*passionate about sustainability*” (N3), particularly the ethical dimension, and therefore influenced behaviour. He left a “*legacy of wanting to do the right thing basically*” which has been “*led by the top, we want to do the right thing*” (N2). The organisation’s stance on sustainability plays on the underlying role of engagement: “*I think also it depends on the stance of the company. I think it very much depends on what the powers above believe is important*” (N3).

Internal commitment is perceived as an important motivating factor: “*I think the people that worked in the ethical arena here are the people that have driven it*” (N3). The fact that the organisation was being prepared to float on the stock market also added impetus: “*potentially being a corporate business was the driver, because being a private business, you don’t have to report on this, that and the other, but when you’re a public business, you have to have a corporate social responsibility report*” (N1) and “*I think if we were a public company, it’s even more important*” (N3). New Look’s inclusion in the Carbon Reduction Commitment (N2) has also led to a focus on environmental practices, especially related to their carbon footprint such as the use of environmental consultants and carbon measurement.

### *Aims and objectives - mimetic*

Perceiving competitors' performance is one of the motivating factors for improving sustainability performance: *"If you look at what H & M do, they're obviously leaders in that sort of stuff and we regard them as something we aspire to be much more, much better than at the end of the day"* (N1) and *"So another area that we're working in is around clothing recycling so looking at store takeback schemes which a couple of New Look's peers are doing"* (N5).

### *Specific practices - coercive*

Within a specific department, the growing number of products encouraged a more ethical approach, alongside better economies of scale: *"now we're getting bigger, there's obviously an ethical responsibility to use more sustainable cottons, specifically, to, for the good of nature as much as anything"* (N8).

Environmental consultants were used in order to *"make sure that we're complying with all of the EU, UK, and Republic of Ireland environmental regulation"* (N2). This suggests a lack of in-house knowledge around environmental issues. An environmental manager has since been recruited. A regulation register has been developed in order to highlight the different regulatory requirements in different countries – although this could be perceived as a regulatory driver, it is closely related to brand protection: *"then where there's the risk of the legislation not being met and obviously the risk of incurring fines, so that's been a key driver"* (N5).

Consumer opinion has also influenced certain behaviour, for example in relation to the use of fur: *"it's customer perception and if that customer perceives New Look as doing fur because we have a Mongolian fur jacket, although politically it is fine and ethically it is fine, the customer may not perceive it that way. So we've stayed away from that and kept it fake"* (N9). This pressure has also led to the organisation not using cotton produced in Uzbekistan due to the poor ethical records of many organisations based in this country.

### *Specific practices - normative*

Membership of ETI and use of their code of conduct as a base line can be seen as an illustration of normative pressures. There are a number of commitments attached to joining: *"We're members of the ETI, have been since 2003. When you join the ETI, I think it's slightly different now, but when you join the ETI, you have to basically say that you will adopt their base code as your ethical aims"* (N4).

#### 4.2.4 Institutional pressures – M&S

This section explores the existence of institutional pressures – coercive, mimetic and normative – in relation to sustainability within M&S. No evidence was found in this organisation of mimetic or normative pressures for specific practices.

##### *Aims and objectives - coercive*

Initial leadership commitment, seen throughout the CSR reports, has continued with the appointment of a new Chief Executive: *“I’m delighted to be joining a company with a strong track record on social, environmental and ethical issues...Plan A will continue to be at the heart of how M&S does business”* (Marc Bolland, new Chief Executive in CSR report 2010, p1).

*“We anticipate the needs of our customers”* (CSR report 2003/4 p2) and customers have expressed a desire to have more information about *“ethical trading”* and *“sustainable raw materials”* which are both central to the clothing part of this organisation’s business. These pressures have arisen because: *“Human rights groups and trade unions are concerned that, in some parts, international standards of working are inconsistent, low and poorly implemented”* (CSR report 2003/04, p23)

##### *Specific practices - coercive*

Both legislation and consumer pressure have driven the organisation’s approach to specific sustainability practices. Coercive pressures for materials have emerged from consumers, for example in relation to material usage: *“In clothing, cotton and dyeing are high on the agenda”* (CSR report 2003/04, p9) and *“This year our customers asked us to sell more Fairtrade products...we became the first major UK high street retailer to launch a range of clothing made from Fairtrade certified cotton”* (CSR report 2006, p1).

Regulation has created pressure for an environmental code of conduct around dyeing: *“We contributed extensively and publicly during 2003/04 to the European Union’s proposed new regulatory system, Registration, Evaluation and Authorisation of Chemicals (REACH)”* (CSR report 2003/04, p 17), as has pressure from external stakeholders: *“In late 2003, environmental groups targeted retailers – including Marks and Spencer – selling children’s clothing containing chemicals they believed to be harmful”* (CSR report 2003/04, p18).

Both increasing regulation and consumer pressure have driven the organisation’s approach to energy / carbon. For example, *“Customer interest in climate change also*

*increased significantly*” (CSR report 2006, p5) and *“the use of energy and its contribution to climate change is arguably the biggest environmental challenge we face...in 2002 the UK introduced an environmental tax on energy known as the Climate Change Levy”* (CSR report 2003/04, p32. This has led to targets such as *“Use compliance with new legislation on energy efficiency to work towards low ‘carbon footprint’ energy-efficient stores”* (CSR report 2007, p24) and *“Work towards new legislation on energy efficiency in buildings ... which comes into force in 2006”* (CSR report 2006, p28). M&S also demonstrate a desire to exceed their obligations: *“As well as complying with the new legislation on energy efficiency, we have gone further by ordering energy audits on all new and refurbished stores”* (CSR report 2006, p28) and support of other initiatives, having *“made a submission to the Government, supporting the introduction of a carbon emissions trading scheme suitable for retailers called the Energy Performance Commitment”* (CSR report 2007, p24).

The 2007 CSR report also refers to the Stern Review on climate change which can be seen as an additional pressure. The organisation’s approach to waste and water usage has been driven by legislation: *“Other resources such as water and waste are subject to legislation destined to make their costs reflect the impact they have on the environment”* (CSR report 2006, p28). Legislation has also guided the organisation’s approach to packaging: *“Since 1998, legislation has made retailers and other parts of industry responsible for the costs of recycling packaging.”* (CSR report 2003/04, p 31) alongside further pressure from stakeholders: *“Our customers and other stakeholders have asked us to reduce the environmental impact of packaging”* (CSR report 2006, p4).

#### 4.2.5 Summary of institutional pressures identified

Table 17 Summary of institutional pressures identified

		Coercive	Mimetic	Normative
<b>BODEN</b>	Aims and objectives	Ethical practices (2008)		
	Specific practices	Greening of catalogue (2008) Greening of packaging (2008)	Greening of packaging (2007)	Membership of ETI (2008) Use of code of conduct (2008) Greening of catalogue (2008)
<b>ASOS</b>	Aims and objectives	Ethical practices (2009)	Sustainability practices (2009) Ethical practices (2009)	
	Specific practices	Carbon neutral (2009) Greening of packaging (2009)		Membership of ETI (2009) Use of code of conduct (2009)
<b>NEW LOOK</b>	Aims and objectives	Ethical practices (2006) Environmental – carbon related (2009)	Sustainability practices (2010)	
	Specific practices	Use of environmental consultants (2009) Regulation register (2008) Animal welfare policy established (2010) Chemical policy/compliance (2009)		Membership of ETI (2003) Use of code of conduct (2003)
<b>M&amp;S</b>	Aims and objectives	Sustainability practices (2003) Ethical practices (2003)		
	Specific practices	Use of sustainable materials (2003) Energy/carbon (2005) Water (2006) Waste (2006) Packaging (1998) Code of conduct – environmental (2003)		



### 4.3 Within case analysis (RQ2): How does internal and boundary-spanning capability-building influence SOSM practice adoption?

#### 4.3.1 Capability-building – Boden

This section explores the existence of sustainability practices in relation to capability-building within Boden. These are divided between intra-organisational: a) product and process; and b) organisational; and inter-organisational: c) direct supply chain, indirect supply chain, and external relationships.

##### *Intra-organisational capability-building – product and process*

##### **Greening of packaging**

The organisation has been increasingly “greening” their packaging over the past four years (B4). This includes their brown cardboard boxes used in mail order deliveries, and plastic packaging used to deliver products. Previously, *“it was pretty expensive to use any sort of recycled anything and the difference in price between having recycled material in your paper and not was quite substantial at the time. It started coming down about 3 or 4 years ago”* (B4). Therefore, although there is a positive environmental benefit, this decision has been at least partially motivated by cost. The amount of recycled material used has increased over time too: *“we started off with 40% then we went up to 75% and they’re now 100%. And that is over the course of a few years. ...when we moved up to about 75%, we didn’t want to go 100% because at the time, the colour of the 100% recycled was pretty grotty and it looked cheap. And ...it didn’t feel quite as strong, it felt like it would collapse quite easily if you put anything on top of it, but now I think what we’re using is 100%”* (B4). The increased quantities of recycled material have been used as the quality has improved.

##### **Greening of catalogue**

The catalogue has been made more environmentally friendly through the use of FSC and PEFC certified paper. The organisation *“set the task of making the catalogues greener”* (B3). Therefore, *“everything that [the organisation] produce[s] in terms of the catalogues is from sustainable sources around the world. Always.”* (B1) This is related to the volume of catalogues that Boden produce every year – approximately 20 million in 2010. In relation to environmental practices, there are cost implications and materials began to be more affordable four years ago (B4).

### Recycling

All possible packaging materials are sustainably dealt with: *“All the boxes we receive [...] are all compressed and packaged and then sold back into the recycled market for recycling. We don’t burn or cast aside anything, it’s all recycled, and any other packaging that’s thrown out in terms of the warehouse also gets bundled and taken away”* (B1).

### Intra-organisational capability-building - organisation

#### Environmental training

It is important that people working with the catalogues understand the process of paper certification, hence regular training. The person responsible for the greening of the catalogues sent information on paper certification to *“everyone in [her] department”* and she *“did do a presentation at the managers’ meeting to explain how we got certified and why”* (B3). She also keeps *“them up-to-date with training every six months, a year, because new people come, people forget”* (B3).

#### Ethical role established

Before a specific role was created, ethical trade work was subsumed within the role of technologist as is traditional within the clothing industry. A new role was created explicitly *“to manage ethical trade”* (B2). This was encouraged by the technical team: *“We were all doing a little bit of ethical within our current roles ... and we wanted to be doing more, but we just didn’t have the time...When I moved over to do the role, that’s when we joined the ETI and the two started off together”* (B2). The formalisation of the role also related to the workload necessitated by membership of the ETI.

#### Set-up of internal systems

With the formalisation of ethical trade in the firm, the organisation decided it was important to set up the department properly and prioritise accordingly. The ethical manager *“went through a whole system last year of well how do I prioritise?”* (B2). It was important to focus on prioritising and putting internal systems in place before broadening to consider other employees and suppliers. This internal resource development strengthens the department’s standing in the organisation.

### Use of SEDEX

Boden has decided to use SEDEX to help them manage their audit data (B2). This information relates to supplier performance. It is a useful resource for managing data but not for creating difference. The growth of the department was related to the use of SEDEX due to the volume of data to be addressed: *“we have just joined SEDEX so the major part of my role is rolling that out to all our suppliers and then onto their production sites.”* (B5)

### Internal ethical training

Ethical training is at a fairly early stage. The ethical department tries *“to educate the teams about knowing where they’re getting parts of their product from, where are they buying their yarns from, where are they buying the materials from and what sort of questions should they be asking. So that’s kind of in development if you like”* (B2). They have also used external consultants to provide training, including for the buyers, *“now we’ve done this training, and through further training with the teams, they will probably, if they’re now going out, they will have the ability to be able to start some of those ethical questions as well ”* (B2). This allows the teams who visit suppliers to be aware of the potential ethical issues, rather than relying purely on the ethical manager. An organisation called Impactt<sup>14</sup> was brought in for the training and the first training occurred in summer 2010. These consultants have also been used to advise on other ethical matters within this organisation.

### Growth of team

Expansion of the department was initially in order to help manage the data created by SEDEX: *“We needed to bring somebody on board to manage SEDEX but also to think a bit more strategically about where do we want to be in 2 years’ time, 3 years’ time”* (B2). The growth of the team also allows planning for the future through team development. This allows for more thorough management of supplier data: *“we have a factory library of all information of all the factories that are currently being used so it’s making sure that all the information is present and available for whoever might need it.”* (B5).

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<sup>14</sup> Impactt is an organisation working in ethical trade. As well as carrying out audits for other organisations, they also provide consultancy where necessary.

## *Inter-organisational capability-building – direct supply chain, indirect supply chain, and external relationships*

### **Greener distribution**

With regards to Boden, greener distribution focuses on the increased use of shipping over airfreight. The company *“ships by sea mainly from the majority of our markets but there’s an earth issue here”* (B1). There is a perceived dilemma since *“you could argue that [shipping firms] are penny-pinching so they can save money on fuel because their fuel bills will be lower but they’re also saying, ‘but actually this is more ecologically sound because I’m putting less shit into the atmosphere’ ”* (B1).

### **1<sup>st</sup> tier auditing/ monitoring**

The organisation has a sensitive approach to governance and suppliers. When a supplier is perceived not to be ready for a full audit, they carry out pre-audit assessments (B2). This is to better inform the suppliers about the process: *“If they’ve had no experience of an audit before, I feel it’s a little bit cold just to send in a third-party auditor on their own so we tend to go in ourselves first and give them an overview, a bit more of a briefing of what the code of conduct is about and have some general conversations with them to make them feel a bit more at ease about the whole situation, because sometimes you’ll go in and factories will have pre-conceptions about what ethical trade is and they may have heard things from other factories about what an audit is and it might scare them. So we try to set the record straight and just explain what we’re doing, why we’re doing it, and just almost prepare them but in a sensible way as opposed to not”* (B2).

### **Use of code of conduct**

The code of conduct has been created in conjunction with ETI guidelines: *“Knowing the factories and the way they work and how that affects the workers, ...is essentially what our code of conduct is based on. Some companies will have a code of conduct that covers all aspects of their business but at the moment our code of conduct is very much ethical-based. It’s based on ... the ETI base code”* (B2). Currently, the focus here is on the ethical side of sustainability due to the size of the company and the resources they possess.

### Membership of ETI

Boden joined the ETI in January 2009. Previously, they felt that they were not ready to join since membership involves a certain level of commitment in terms of time and resources, for example in the creation of an annual report. Now, *“we feel that we’re more aligned and we wanted to join. And we knew that we couldn’t manage that from within the technical team so that’s why we pushed to create a new position that would be across all departments and would cover purely ethical so that there wouldn’t be any other priorities but ethical so the two kind of came hand in hand”* (B2). The formation of the ethical department was carried out in conjunction with joining the ETI. This allowed an alignment of priorities. It was important that this happened at the right time and the organisation felt that the ETI had developed and improved: *“I think they’d learnt a lot about life, as much as anything else, and we felt now that they were working on a much more collaborative basis, in their principles were the same but their method of operation had changed and was more in line with the way we’d always thought about our family, for want of a better description, it sounds a bit corny. So that gave us a sort of broad framework in which to operate and set us, we could then set targets and milestones of what we want to achieve in the first two years”* (B1). This helped to guide the initial ethical work within the organisation.

### 2<sup>nd</sup>/3<sup>rd</sup> tier auditing/ monitoring

Monitoring further upstream in the supply chain relates to risk areas such as complex supply chains for jewellery products. They *“would always look at a more complex supply chain. So where we think there are higher risks so potentially people doing handwork or subcontracting or anything along those lines”* (B2). This allows resources to be focused on the areas most at risk.

### Support of charities

This organisation closely supports Rainforest Concern<sup>15</sup>: *“we buy land to stop the deforestation of the Amazon rainforest, in our small way”* (B1) which is related to the catalogue and amount of paper used. Boden also supports the Rainbow Trust<sup>16</sup>.

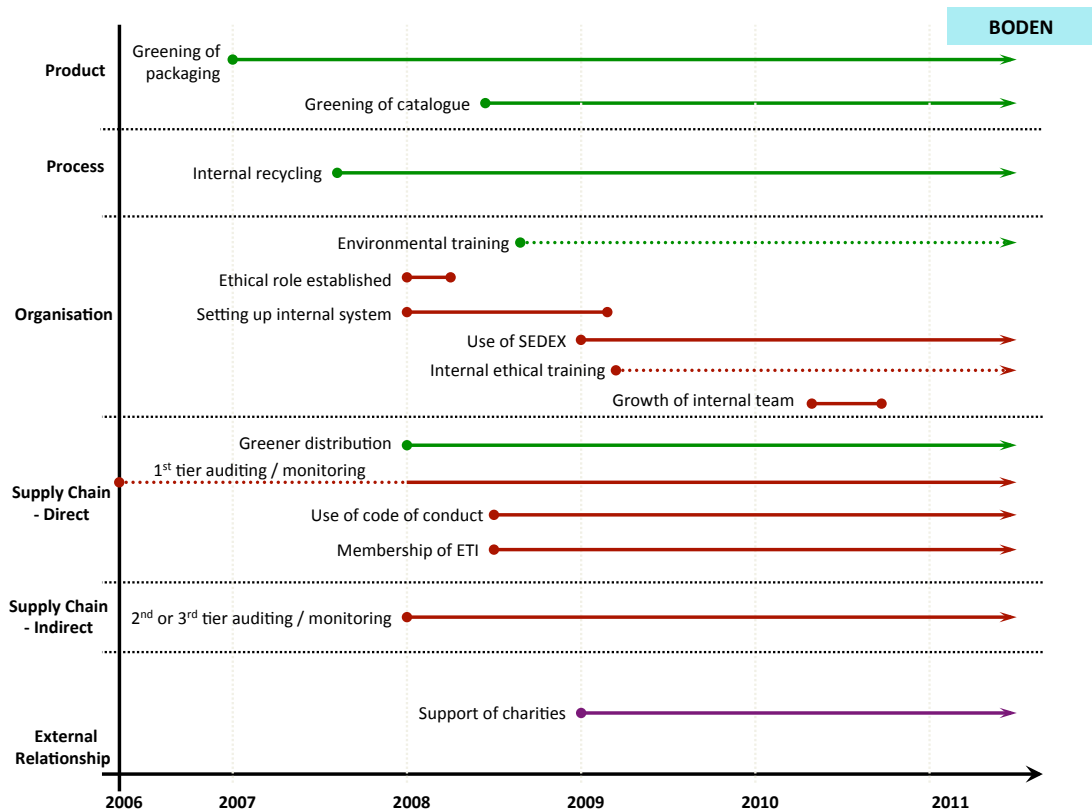
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<sup>15</sup> Rainforest Concern is a charity which aims to protect threatened habitats and their biodiversity, particularly rainforests.

<sup>16</sup> Rainbow Trust is a charity which supports families with terminally ill children.

### Summary of capability-building at Boden

Figure 13 Capability-building – Boden (See Appendix 4 for key)



### 4.3.2 Capability-building – Asos

This section explores the existence of sustainability practices in relation to capability-building within Asos. These are divided between intra-organisational: a) product and process; and b) organisational; and inter-organisational: c) direct supply chain, indirect supply chain, and external relationships.

#### *Intra-organisational capability-building – product and process*

##### **Greening of packaging**

In Asos, the greening of packaging applies to the materials used. The plastic bags used “*should be changing very shortly to LDPE plastic bags because we’ve been told that they are the best ones to use for our purposes and also for the environmental impact that they have*” (A2). These new bags are made of 20% recycled material and this amount should increase over time, depending on the available technology (A2). Therefore, there is an element of continual improvement as the technology develops.

These bags are also fully recyclable although a closed-loop system does not currently exist in which to return them. Packaging is a focus for the organisation due to the fact that it is customer-facing which means it *“can have a really big impact on how you’re perceived but also on just general environmental awareness. And it also has cost implications as well if we’re talking about packaging ...and it’s a decent way to start for people to see exactly how the environmental side and the finance side can benefit from each other”* (A2).

#### **Use of sustainable materials in some products**

Sustainable materials including organic and fair trade cotton have been used in certain product ranges created by the organisation: *“We do fair trade cotton, organic cotton and then brand collaboration so working with our favourite brands and creating diffusion lines that are exclusive”* (A4). This is alongside stocking other brands which position themselves as environmentally friendly and/ or ethically traded (e.g. People Tree and Edun) within the Green Room. The Green Room is the part of the organisation’s online store focusing on sustainable products.

#### **Carbon neutral**

Carbon neutral status implies that the organisation has zero carbon emissions. This can be achieved through a number of means such as offsetting or buying carbon credits as well as reducing actual carbon emissions. Since this organisation has no physical stores, becoming carbon neutral is more straight-forward than for other fashion retailers. The environmental manager was carrying out a calculation of Asos’ greenhouse gas emissions: *“We were carbon neutral last year and we would like to remain carbon neutral, but as a business that grows quite rapidly, we’ve found that it’s really important for us to be up to date with what our figures are”* (A2). Measuring carbon emissions is the first step in remaining carbon neutral. The carbon certification achieved is with the Carbon Neutral Company.

#### **Energy reduction**

Internally, energy efficient lighting is used: *“Most of the lightbulbs used at Asos are energy efficient lightbulbs. The next step would be to move to LED lightbulbs”* (A2). Asos also has plans to become more efficient through the use of LED light bulbs. Often the business benefit of environmental practices is seen as efficiency leading to cost savings: *“I mean if you look at, if you look at it from a waste point-of-view first of*

*all, the amount of energy, paper, material, water, that could be saved if you operated in the correct manner leads to increased efficiency, it leads to saving them money” (A2).*

#### **Printing initiative**

The printing initiative refers to an internal scheme to reduce the amount of paper being wasted during printing. This scheme involves the provision of pin numbers so that employees have to physically go and enter their pin number in order to print something. The new system means that *“you have more and more control over what you’re printing and you have a lot more control over how much you print” (A2).* This should help to reduce the quantity of paper used.

#### ***Intra-organisational capability-building - organisation***

##### **Environmental role established**

The role of environmental manager includes tasks such as creating an Environmental Management System in pursuit of ISO14001, as well as measuring scope-1 carbon emissions in order to remain carbon neutral. A new team member was taken on *“who’s going to be the sustainable business thing mainly” (A1).* The creation of a role focusing on a particular area allows greater expertise.

##### **EMS seeking ISO14001**

At Asos, the new environmental manager was planning to write an environmental management system which would lead to an attempt at ISO14001 certification *“which will tell the whole entire world how green we are, but more importantly it embeds the environmental aspect of the business into the company and into people’s jobs so that they become a lot more aware of what our environmental impacts are and how we’re trying to deal with them” (A2).* The use of an environmental management system at this organisation helps to formalise the approach to environmental issues and means assessing the direct environmental impacts of the organisation.

##### **Use of SEDEX**

The way SEDEX is currently used varies by organisation. At present, Asos only uses *“SEDEX ... to pull off audit reports... [it] is only partially useful at the moment [because] a lot of our suppliers aren’t on SEDEX. We can’t ask or require suppliers at the moment to be on SEDEX” (A3).* This is due to both the cost and the actual



management of the information. It is time-consuming and complex for suppliers to learn how to use this system, alongside the fact that many suppliers do not have decent or frequent internet connections making it prohibitive.

#### **Internal ethical training**

Ethical training is currently being planned for buyers at Asos, but the technologists who are responsible for helping to monitor ethical performance have had training in the following: *“what the ...Asos base code ... means; how the internal process works; how to read and write, read and work through an audit report; how to liaise with a factory over these issues; and then also how to visit a factory”* (A3). This training helps the technologists assess suppliers.

#### **Ethical role integrated into technologist role**

Traditionally in the clothing industry, ethical trade has been subsumed within the technologist role. This has been due to the nature of the role where quality and ethics have been considered together. A garment technologist is also responsible for ethical issues in this organisation: *“as the role has developed and as ... we’ve joined the ETI, essentially what’s happened is that a) I have a particular interest in this side of it, ethical, and b) really I’m probably the only person who’s got the expertise to push it forwards within the teams and the understanding to train people up”* (A3). The combination of knowledge of the factories/ suppliers and an interest in ethical trade is regarded as a useful starting point and the technologist is an informed resource.

#### **Sustainable role and department established**

A specific CSR department was created with responsibility for ethical trade, sustainable business (incorporating environmental initiatives) and community/ charity work. Although a number of separate sustainability practices were being carried out, *“it hadn’t been put together in terms of a strategy... so I came in and pitched, and said we need to do this job, we need this and this, and they went ok, because [the boss] is very good at listening to a new good idea”* (A1). This was also driven by the company’s culture because *“that’s in a way how Asos has developed really, in the sense that at the right time for something to happen. It couldn’t really have happened before, we didn’t have the resource to have a department”*(A4). Although it is a centralised CSR department, the ethical and environmental elements are largely dealt with by separate employees beneath the head of department. It was important to have

the right company culture as well as the necessary resources in order to create a CSR department: *“The resource, the idea happens, somebody runs with it, everything moves round so that it can be achieved and then everyone gets behind it and goes with it”* (A1). The company has a culture of *“restlessly innovating”* (A1) and this helped to make the CSR department a reality, which was echoed by other colleagues: *“it’s a very new and innovative company so there’s a lot of amazing ideas going on all the time so these things are bound to come up all the time”* (A4).

#### **Sustainability formalised as part of strategy**

In order to have internal commitment, Asos perceived it was necessary to integrate CSR into the business’ strategy. *“We don’t really want to be like a little CSR department stuck on the side, the idea is that people within every department are engaged which is why we’ve made it one of our company strategies...one of them is about fashion with integrity and that means everybody is engaged in that”* (A1). This is important as it helps to disseminate CSR practices/ knowledge throughout the firm and allows the CSR employees to act as consultants on strategy (A4).

#### **Role of sustainable buyer established (alongside Green Room)**

The creation of the role of sustainable buyer and the Green Room, which focuses on products that are ethically or environmentally conscious affects both internal matters: *“the fact that the green room’s there is sparking other departments to do things”* (A1) as well as external matters: *“it’s also a kind of call to action to consumers as well, isn’t it, in a way it’s saying this is what’s out there”* (A4).

#### **Inter-organisational capability-building – direct supply chain, indirect supply chain and external relationships**

There was no evidence found of indirect supply chain sustainability management capabilities at Asos.

#### **Greener distribution**

Although greener distribution can refer to a number of things, the focus at Asos has so far been on controlling air miles. *“I think the in-bound supply chain ... that’s not part of our carbon footprint as it’s not really measurable without massive complexity but what they are doing is measuring the air freight use, and that has plummeted from a huge amount, because we had no procedure a few years ago of who could sign off air*

*freight so anybody that hadn't done their order on time was air freighting stuff in. That doesn't happen now, there's only a very small amount of air freight now"* (A1).

#### **Use of code of conduct**

The use of code of conducts is also a governance mechanism. Asos has based their code of conduct on the ETI base code. It mainly focuses on ethical standards and informs suppliers of Asos's expectations: *"the ETI base code or rather Asos base code [are] essentially the same"* (A3). This is the base code commonly used in this industry and only modified slightly by individual organisations.

#### **Membership of ETI**

Currently, the ethical dimension of sustainability within this organisation *"has a little bit more oomph behind it because we are members of the ETP"* (A2). The organisation was working on its first ETI report at the time of data collection and were utilising their own internal database of audit information in order to create this.

#### **1<sup>st</sup> tier auditing/ monitoring**

Auditing/monitoring of suppliers is a governance practice. Within this organisation, it doesn't merely cover the actual auditing process but also the act of following up and supporting improvements if issues have been identified. It *"is a lot to do with the production and making sure that you're working with partners who are compliant to rules and regulations"* (A1). It is important for this organisation to act on problems quickly through the use of e.g. remediation plans *"because clearly you are at risk during that time"* (A1). This company also finds it important to support suppliers because *"If you just pull out of that factory, which some retailers have got into trouble for doing, ... those people lose their jobs ... So you need to stay in there and use your effort to make the supplier conform to a better standard and actually help those workers"* (A1). In this way, this organisation perceives that monitoring can help to actually improve suppliers' standards. Currently, auditing is all carried out by third party auditing (A3) and the audits are then reviewed internally.

#### **Payroll giving**

The payroll-giving scheme at this organisation allows employees to donate to charities.

## Educational support

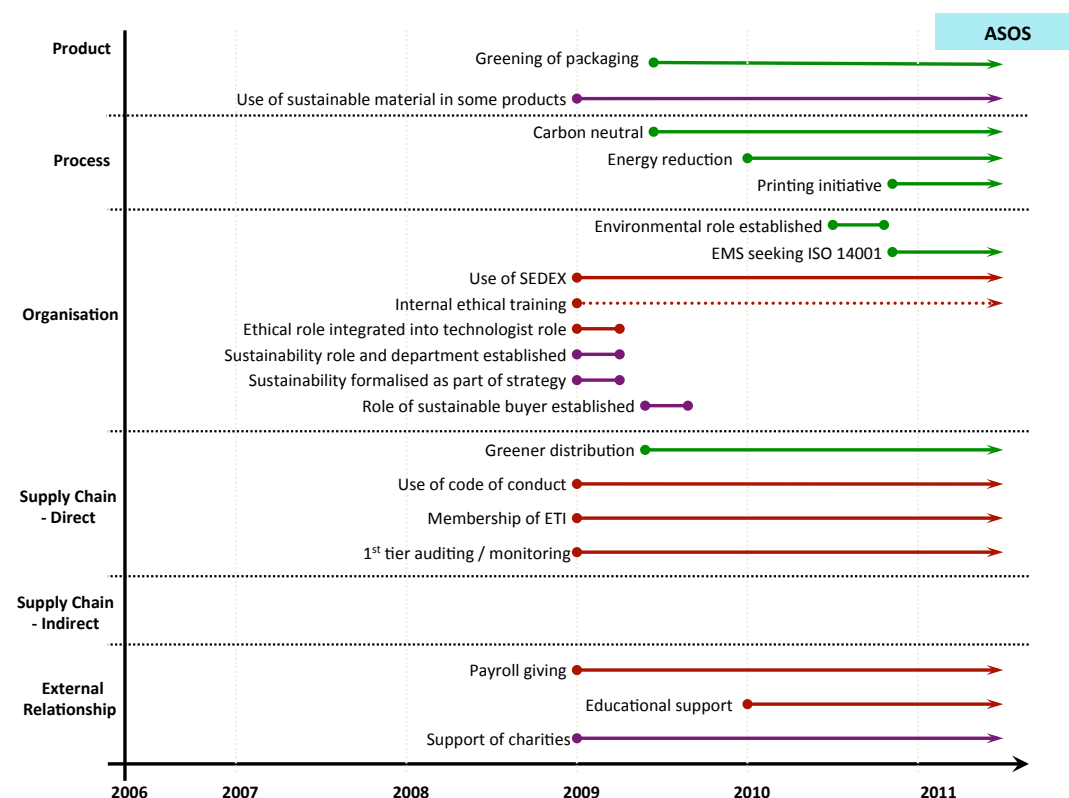
The organisation supports a Diploma in Retail Business which was due to take place for the first time in September 2010.

## Support of charities

The organisation does engage with some charities: *“the involved thing is mainly our charity stuff, our charity partners and the other charity things that we do, and where we interact with educational initiatives”* (A5). The Asos Foundation has a number of long term partnerships with several charities: The Prince’s Trust<sup>17</sup>; Udayan Care<sup>18</sup>; and Oxfam<sup>19</sup>. They provide Oxfam with end of life goods, as well as earning money for the charity.

## Summary of capability-building at Asos

Figure 14 Capability-building – Asos (See Appendix 4 for key)



<sup>17</sup> The Prince’s Trust is a charity which supports young people in developing skills

<sup>18</sup> Udayan Care is a charity which provides care for women and children from disadvantaged backgrounds in India

<sup>19</sup> Oxfam is a charity dealing with poverty

### 4.3.3 Capability-building – New Look

This section explores the existence of sustainability practices in relation to capability-building within New Look. These are divided between intra-organisational: a) product and process; and b) organisational; and inter-organisational: c) direct supply chain, indirect supply chain, and external relationships.

#### *Intra-organisational capability-building – product and process*

##### **Greening of packaging (indirect)**

A project relating to minimising packaging relates to a specific type of product, that of footwear. More broadly, other packaging has not been addressed to date. This project has been chosen due to the costs involved in footwear packaging to the organisation: *“So the total cost of all that footwear packaging, in terms of cost of putting it on, cost of buying it, cost of taking it off, is about 6 million quid”* (N1). Therefore, the organisation is focusing on developing reusable packaging which should *“basically make the suppliers life easier, it’ll get more bags, more boxes of shoes, more pairs of shoes per box... So that’s a very sustainable story, right? We didn’t do it for sustainability particularly, we done it because actually it’s probably going to save us 4 million quid a year ...And it gets our products to the sales floor quicker”* (N1). It is perceived that it will reduce the volume of packaging used and deliver costs savings once the initial outlays have been recovered (N2).

##### **Use of environmentally friendly materials in some products**

A supplier provided organic materials: *“about four or five years ago, all of a sudden organic was the trend. So we used him or he approached us and we worked together to create a range to deliver to a select few stores and try and do it at a price point”* (N6). To date, only environmentally friendly materials have been used within this organisation, rather than Fair Trade.

##### **Environmental review/ carbon footprint**

An environmental review is a method to assess the environmental impacts of different parts of the business. It focuses on the measurement of impacts. This review, carried out by environmental consultants Two Tomorrows, was *“a wide-ranging environmental review, which ... incorporated on site visits ... So that was very much a top-level environmental review identifying the key issues across different areas so waste, packaging, recycling, energy use, water, and then highlighting which were high*

*impact, which were medium, which were low, so which ones needed to be focused on” (N5). This would then allow measures to be taken focusing on specific areas depending on their impact. This review which requires environmental audits does not focus on supply chain practices: “it’s very much the direct store-based and distribution-based environmental impacts” (N5) which are investigated at this point. Within this organisation, there is also a consideration that it is important to improve sustainability performance through reduction or efficiency: “one of the driving forces is when you look at the amount of rubbish we generate in the stores and you go and do the job, you think there must be a better way to do this. So I think that’s an example of something you might call sustainable within the supply chain” (N1).*

### **Recycling**

Currently *“hangers are recycled” (N4)* within this organisation.

### **Waste management in stores**

Waste management practices at this organisation focus on recycling waste from stores and involves employee awareness-raising. Two Tomorrows were involved with this and the aim was to *“carry out a more complete waste management review to identify stores and regions that perhaps need more employee awareness raising to make sure that waste is collected on the right day and that fines aren’t incurred for late collection and so on” (N5).* Once again, this practice focuses on a review of practices in order to improve them.

### **Intra-organisational capability-building - organisation**

#### **Environmental champions**

The function of the environmental champions is yet to be decided due to the lack of a formal strategy for environmental issues: *“It came together as an environmental working party a while back ... but we just talked about the existing initiatives at the time, there wasn’t a call to action so we decided to hold them for a bit until we got a strategy in place really for what we wanted to be ... so we need to get them back together again now, and we need to define how we’re going to roll it out and how they’re going to be champions” (N2).*

### Environmental role established

The arrival of a new environmental manager in late 2010 established a more formal approach to environmental practices after the previous more ad-hoc practices when they were informally handled by the Supply Chain Director in relation to the supply chain; and by the Head of Group Communications and Social Responsibility in relation to internal operations (with an assistant and an environmental consultancy).

### Use of SEDEX

New Look began using SEDEX in 2007. It was initially used as a way to store and manage data in one place: *“The way we’ve historically worked ... was primarily on self-assessment so rather than spending loads of money auditing, and getting a lot of fake audits back, we decided to engage people a bit, we’d get everyone to fill out a self-assessment form and this used to be done manually by the people who used to run this department before me. But we thought a better way to manage it might be to have it on SEDEX because it’s got a self-assessment form anyway that was very, very similar to ours. We’d get a lot of info that was already done for other people which is a good thing, and also they could update it in an ongoing way. And also it would help everybody else as well, if everyone else is after the same thing”* (N4). This is a broadly available resource where information about suppliers can be stored, managed and shared.

### Internal ethical training

Internal training about ethical purchasing, for example, help to develop internal capabilities. *“Impactt do training here a couple of times a year and it covers all departments ... predominantly buying, merchandising, design and QA, and we do that twice a year in about 20 people at a time. ... She ... talk[s] about ... New Look’s stance on ethical trading, how do we approach it, what it means to us, the sorts of things we find in our supply base, a bit about press, stuff in the press over the last 6 months or something, just to make them all very aware of the issues that are out there”* (N3). This impacts on how buyers then interact with suppliers and the nature of the relationships they create.

### Ethical department established

The ethical department was established in 1999. A change of staff in 2007/8 has meant a shift in approach. The team is recognised across the buying, design and

merchandising teams: *“I know that New Look as a company have got the ethics team and the supply team in place who work hard to ensure that the factories that we use are ethical”* (N6). The existence of the team is well-communicated throughout the firm. Although the department is actually small, with only two designated internal members of staff, it is perceived as having a large impact within the firm: *“This is the only business I’ve worked in where they have had such a strong ethical side and there is, not only a team of people that care takes that, but ... every single person has to go through a course, there’s updates so you are very aware of what New Look is doing”* (N7). Therefore the influence of the department filters across departments.

### **Ethical champions**

Within the organisation, there are 25 ethical champions across different roles in the BMD (Buying, Merchandise and Design) teams to support and highlight the ethical department agenda (N3). The ethical champions do projects as well as act as advocates of ethical trade: *“so things like we’ve got a project on purchasing practices, how we buy and how it affects people in the factory, and one of the girls came up to me the other day and...she said her buyer was just getting really cross with the supplier, she’d already taken some discount and then she was threatening to take more, and she stepped in and said hang on guys, just think about this, think about what you’re doing, you’ve already done one lot, that’ll come out the factory, it won’t come out of the supplier, and that sort of thing happens and they were more reasonable about it so they’re advocates for ethical trade so they can talk about things to their teams”* (N3). This commitment to ethical improvements is partially about *“helping people”* (N3).

### **Regulation register**

The use of a regulation register, created by Two Tomorrows for New Look, relates to compliance with the standards of different countries of production. It involved *“developing a legislation/ regulation register to highlight what regulatory requirements there were in the different countries, the extent to which New Look was meeting those requirements”* (N5). It was partly motivated by *“the risk of incurring fines, so that’s been a key driver”* (N5). It allows closer governance relating to internal practices.



### *Inter-organisational capability-building – direct supply chain, indirect supply chain and external relationships*

There was no evidence found of indirect supply chain sustainability management capabilities at New Look.

#### **Greener distribution**

In this case, greener distribution refers to reduced air-freight by New Look: *“we use very little air freight these days, mainly because of cost, but also that’s a bit of a spin-off on the environment. We do, if we want to get something that’s somewhere between the two, we do what we call sea-air so we’ll, where we can, sea freight in to Dubai and then fly in from Dubai which is like a halfway house ... Which saves us a bit of money but you get some of the speed benefits, but we have reduced our air freight down. It used to be probably 15-20% and it’s now down to about 5% in total”* (N1). The relocation of a distribution centre differentiates New Look from other retailers since *“most other UK retailers bring all their products into the UK and send it all back again”* (N1). The benefits are perceived as: *“it saves 6000 miles of transit for that product. So saving loads of cost really, but there’s a green side to it, but it really saves a load of cost and time”* (N1).

#### **Supplier-driven environmental initiative**

Currently, environmental initiatives within the supply chain are dependent on individual suppliers. One such initiative relates to water improvement, where the owner *“started a water effluent treatment place and he’s won several awards [...] he did that of his own accord, but it’s amazing to think that somebody [...] is actually trying to make a difference in a country and the water that was going into the river was clean”* (N3). In relation to this individual, *“he’s just very visionary about improvement and he must have spent a fortune on that, and he’s still looking at further ways to improve things”* (N3).

#### **Chemical policy/ compliance**

Due to REACH regulation, a new supplier manual has been created which determines which environmental inks and dyes may be used by suppliers in relation to printing and dyeing: *“they rolled it out for all suppliers and it’s part of the ethical checks as well...Supply base is also checking through QAs”* (N7). This issue falls under the

quality department and includes governance. Since it relates to regulation, it is necessary for compliance not for competitive-advantage creating purposes.

### **Code of conduct**

Another governance mechanism, New Look's code of conduct is *"based on the ETI base code"* (N3) although it has been slightly adapted: *"in the ETI base code, it says everyone must be paid a living wage whereas we say we strive towards working towards a living wage ... and ... yes we must pay the minimum wage but so we've changed things in as much that we'll work towards, ...and it's about helping suppliers to be able to do that, 'cos a lot of them don't know how to"* (N3). The code of conduct outlines what they are striving to achieve: *"you'll find that's the same at most retailers. In their supply chains things will be not exactly to their base code but then it's trying to improve"* (N3).

### **Membership of ETI**

Membership of the ETI is an industry-wide way of addressing ethical issues. There are a number of commitments attached to joining: *"We're members of the ETI, have been since 2003. When you join the ETI, I think it's slightly different now, but when you join the ETI, you have to basically say that you will adopt their base code as your ethical aims"* (N4).

### **1st tier auditing / monitoring**

This governance mechanism involves up-front assessment. For example, *"for any new supplier of ours, we go through quite a rigorous regime of checking them as best we can without visiting them and we ask them quite a lot of questions about how they do things so that, for me, is quite key, and if we've got somebody ...you've got to be working with people that are going to continue to do this and not just say what you want to hear"* (N3). It also involves monitoring, *"so wherever we can get some eyes out on the ground, it's utilising people and I think, for me, it's key for the individuals we've got in the business to go and see things"* (N3). This can involve Quality Assessment employees as well as in-country resources or an external consultancy doing audits. Having resources available is also important to ensure standards are met: *"When we moved in Bangladesh with our biggest supplier I was really nervous about it 'cos there'd been all sorts of bad press about it and I got a girl on the ground that we work with over there sometimes to go in and check all these factories he was*

*proposing....So where we're working with the big guys we can do that if we're nervous about something"* (N3). Within the governance system, suppliers can also be supported since the organisation is *"quite collaborative when they're working with their suppliers, they'd rather, I've seen first-hand proof of them working towards solutions rather than, like the Primark example when they closed it"* (N10).

#### **In-country resources**

This refers to having human resources located in a country of production. Currently, there is an *"ethical manager for China and he does factory visits and helps role our productivity projects, workers' committee work and stuff like that. 'Cos it's very, very important to have a man on the ground"* (N4). This type of capability allows greater control over suppliers and also greater assistance. The main motivating factor for getting in-country resources to handle ethical issues was increased visibility. Their employee in China goes in to *"build the relationship with the suppliers and he very rarely gets transparency issues"* (N3), which helps to protect the brand.

#### **Contracts with top 5 suppliers**

Contracts are a type of governance mechanism and help to mitigate risk for both New Look and their suppliers: *"we've got a contract with ... our top 5 people. And it's a risk to them if they don't have a contract really 'cos if suddenly ... somebody senior left this business, that organised that relationship, ... they'd be in a very vulnerable situation 'cos they basically just supply New Look on the whole"* (N3). New Look has developed a reasonable supply base over time: *"they've got a real bedrock of this really solid supply base which is really good. It's really helpful, they help us out a lot with things and they do us favours and then we can help them out on the other side"* (N8). This allows there to be mutual benefits for both sides of the dyad and encourages more ethical behaviour. More sustainable relationships with suppliers were perceived as having a number of benefits.

#### **Ethical training of suppliers**

Unlike the regular training of internal staff, the nature of ethical training of suppliers at this organisation is *"ad-hoc really."* For example, *"we got all our UK suppliers in the other day to give them a good talking to because we'd heard that factories were being used that we didn't know about, and ... we basically from that fed out to those suppliers in laymen's terms what our expectations are and what the law is"* (N3).

Some examples of training have included HR workshops as well as seminars by the Chinese ethical manager (in-country resource).

#### **Animal welfare policy established**

Like codes of conduct, policies affect practices. In 2009 an animal welfare policy was created due to the personal motivation of a particular member of staff (N2). This suggests that personal motivation can affect the implementation of policies or practices. The animal welfare policy relates to the use of fur, endangered species, leather goods, feathers, merino wool, and sheepskin.

#### **Productivity project**

A number of discrete projects are being carried out, in particular one relating to improved efficiency and productivity. This project has been carried out with assistance from Impactt. The factory improvement programs are described as *“trying to make things better in the factory, not from an audit perspective but basically generally across the factory, improving the productivity, improving their quality, improving the lives of the workers, giving the workers more money because they’re doing things faster, and all of this for me is really what is going to help the business commercially”* (N3).

#### **Encouraging worker committees**

Worker committees provide factory workers with a place to discuss issues. New Look has supported the formation of these committees: *“We set up some workshops telling people how to use it so we got ... our general top five or top ten suppliers in China ... to attend a training session telling them the benefits of workers’ committees, telling them how they can set one up, how to make sure it runs properly, how to make sure things get done. Basically what kind of benefits it’s going to bring to them as a business as well as to the workers”* (N4). This support of initiatives found within factories is aimed at improving conditions.

#### **Supplier-driven ethical initiative**

One supplier has its own ethical initiative to improve education locally and New Look have become involved: *“the jersey factory we use in Bangladesh is just opening up a school which we’re part funding through our production. So ... we’re trying to build these sustainable relationships with suppliers which means we can invest in things like that. And because I know I’ll be using these guys for the next year, at least next two*

years, ...we can invest in things which eventually there will be a commercial upside to it as well. If the workers are happy, if we can keep all our production flowing at a steady rate then they don't have to do as much overtime, they'll get their bonus payment, their children potentially can go to schools" (N8). Therefore this project has the potential to benefit both the community around the factory and the organisation.

### Support of charities

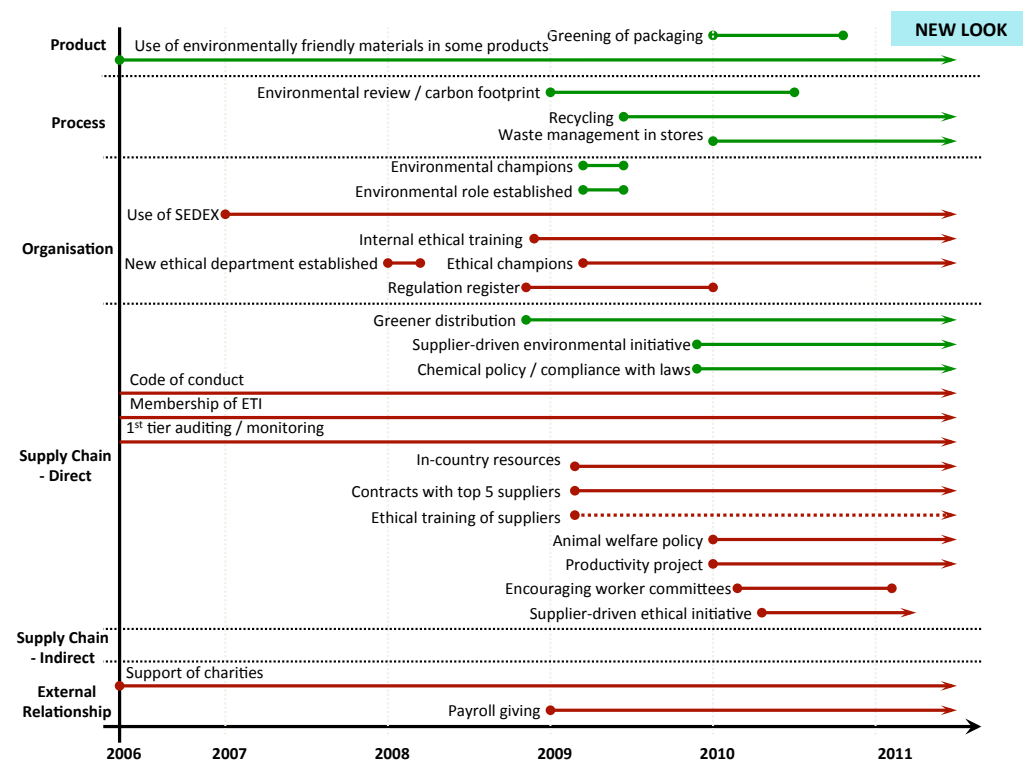
This organisation supports charities through the existence of the New Look Foundation – its partners include Macmillan Cancer Support<sup>20</sup>; B-eat<sup>21</sup> and Whizz-Kidz<sup>22</sup>. Their Fashion Peddlars, established in 2006, also cycle for charity.

### Payroll giving

This scheme allows employees at this organisation to donate to charity on a one-off basis or on a monthly basis.

### Summary of capability-building at New Look

Figure 15 Capability-building – New Look (See Appendix 4 for key)



<sup>20</sup> Macmillan Cancer Support is a charity which provides support for people with cancer, as well as their families

<sup>21</sup> B-eat is a charity which focuses on beating eating disorders

<sup>22</sup> Whizz-kidz is a charity which supports disabled young people in the UK

#### 4.3.4 Capability-building - M&S

This section explores the existence of sustainability practices in relation to capability-building within M&S. These are divided between intra-organisational: a) product and process; and b) organisational; and inter-organisational: c) direct supply chain, indirect supply chain, and external relationships.

##### *Intra-organisational capability-building – product and process*

##### **Greening of packaging (indirect)**

M&S has been working on improving the nature of their packaging for some time, *“We use reusable packaging systems that reduce waste for transportation ...some types of clothing”* (CSR report 2003/04, p32). Across all ranges, this organisation have worked to reduce packaging (M1) while maintaining the appropriate appearance expected by customers.

##### **Sustainable materials used in some products**

A number of sustainable materials have been used across various M&S clothing ranges, including organic, Fairtrade and recycled: *“Our Cotton Sustainability Strategy now covers Fairtrade, organic, ‘Better Cotton Initiative’ recycled fibres and other, more sustainable forms of cotton production”* (CSR report 2010, p10). They were also the first UK clothing retailer to launch organic linen and wool apparel (CSR report, 2008) and within the period reported in the 2008 CSR report *“sold over 300,000 garments manufactured from the equivalent of four million two-litre recycled plastic bottles”* (CSR report 2008, p24).

##### **Recycling**

Recycling materials means fewer items need consuming. Hangers are a particular area of focus: *“In 2009/2010 we increased the number of clothing hangers collected to 133 million with 76% being reused and the remainder recycled back into new hangers”* (CSR report 2010, p28). Overall 88% recycling occurs but this figure reflects all the divisions across the organisation (not exclusively clothing) (CSR report 2010).

##### **Trading emissions scheme**

This organisation began emissions trading as an initial approach to carbon: *“We completed the third year of participation in the UK Emission Trading scheme for head office locations”* (CSR report 2004/05, p27). At this point, the organisation had

already exceeded their five year target of 2060 tonnes carbon reduction. Since then, M&S has assisted the government in developing an approach to carbon offsetting.

### **Energy reduction**

An early “Energy Efficiency Accreditation” (CSR report 2003/04, p 32) demonstrated a commitment to energy reduction. Since then, energy reduction initiatives have increased. For example, green stores have been created as model stores. Three of these stores were opened in 2007 (CSR report 2010) and in 2009, five Energy Efficiency stores were also created in order to examine best practices relating to energy usage (CSR report 2010). The organisation will then use best practices to apply to other stores. Energy reduction also refers to warehousing where usage has been reduced by 19% (CSR report 2010,). Finally, a certain percentage of energy is bought from renewable sources and has been since 2004: *“Currently 23% of our electricity is generated from renewables”* (CSR report 2008, p10).

### **Water measurement**

In relation to water wastage, measurement has been carried out in terms of water readings in stores. Action has been carried out where stores were found to use more water through detection and repairs (CSR report 2005).

### **Energy measurement**

By auditing stores, inefficiencies can be identified and improved: *“As well as complying with the new legislation on energy efficiency, we have gone further by ordering energy audits on all new and refurbished stores”* (CSR report 2006, p28).

### **Waste measurement**

A plan to measure waste should identify areas for improvement: *“We...estimate that our stores generate around 40,000 tonnes of waste a year. We want to find out how we can reduce this by auditing the types of waste we produce in the next 12 months”* (CSR report 2006, p28).

### **Waste reduction**

Waste reduction efforts have focused on areas such as head office where photocopier paper in stores and offices is made from 80% recycled materials (CSR report 2007). Also, there have been initiatives in stores such as use of carbon neutral carpeting in new store changing areas that are *“re-useable and recyclable”* (CSR report 2006, 27).



### **Carbon measurement and certification**

M&S has measured their carbon emissions for the areas for which they have direct control: *“We commissioned independent specialists to advise us on how best to calculate our operational carbon emissions...We have included all parts of the business where we consider we have operational control”* (CSR report 2008, p8). This allows areas for improvement to be targeted. M&S are seeking carbon neutral status and are approaching this partly through certification. In 2009, they gained Carbon Trust Standard accreditation (CSR report 2010).

### **Internal water saving**

Since initial water measurement initiatives, the organisation has begun to concentrate on reducing their water usage. For example, *“Water usage in our stores and offices is down 2% from last year”* (CSR report, 2008, p21). This is in conjunction with other water saving features in stores such as use of rainwater and waterless urinals.

### **Intra-organisational capability-building - organisation**

#### **Energy training**

Environmental training has focused on energy efficiency: *“we ran an energy efficiency training programme and awareness campaign...and an employee awareness competition”* (CSR report 2005, p27). Employee commitment should assist with the simultaneous initiatives in place.

#### **Internal travel policy established**

The introduction of a travel policy relates to the reduction of emissions (CSR report 2010). The previous policy referred only to flights. Alongside this are policies for green company cars and ways of encouraging employees to use public transport/ bicycles.

#### **Use of SEDEX**

SEDEX is an online platform which allows suppliers to input self-assessment data. An aim was to *“make greater use of the Supplier Ethical Data Exchange (SEDEX) database and encourage more of our suppliers to adopt it”* (CSR report 2007, p27). This helps with the governance of suppliers. M&S were also involved in the creation and development of SEDEX so may have had some additional benefits at the start. M&S have also utilised SEDEX beyond their first tier suppliers: *“we now have around 1,000 second and third tier suppliers on the SEDEX database”* (2010 CSR report, p



34). This could assist with transparency and the creation of more ethical supply chains over time, although the quality of information on SEDEX is not externally corroborated at present.

#### **Internal ethical training**

Ethical training has been carried out internally through *“briefing conferences and training sessions”* (M1), carried out for all members of staff. Employees working in design, buying and technical specifications receive the most thorough training.

#### **Sustainability team established**

Initially, a CSR team was created in order to run the CSR Committee and oversee the management of CSR strategies (CSR report 2003/2004). Since then, within Plan A, all employees have become accountable for the sustainability initiatives (M1).

#### **Board level CSR framework**

The CSR strategy and later Plan A have been implemented from the top-down: *“Our CSR Committee ...provides leadership on this [CSR] agenda...its activities have included the development of our CSR Framework and Principles”* (CSR report 2003/2004 p9). This means that the strategy can be implemented across the organisation.

#### **Formalisation of sustainability strategy**

In 2007, Plan A, a more strategic approach to sustainability, was begun: *“our £200 m ‘eco plan’ that will impact on every part of M&S over the next five years”* (CSR report 2007, p1). This initial commitment has since been extended to 2015. The original strategy consisted of one hundred commitments focusing on the areas of climate change, waste, raw materials, fair partner and health. In 2010, eighty further commitments were added.

#### **Sustainability volunteers in store/ internal communication**

In terms of education, volunteers in stores and in head offices have been found to inform about Plan A: *“we’ve appointed around 570 Plan A Champions in our stores and offices”* (CSR report 2008, p26). This encourages knowledge sharing across the business.

### Accountability of staff in appraisal

This commitment is shown by the introduction of staff accountability (M1) where all staff have to demonstrate their contribution to the sustainability strategy employed by the organisation.

### *Inter-organisational capability-building – direct supply chain, indirect supply chain, and external relationships*

#### Greener distribution

A number of initiatives have been adopted by this organisation. These include the use of Euro III or IV trucks: *“we increased the percentage of our UK delivery fleet using less polluting Euro III engines from 79% last year to 89% in 2006”* (CSR report 2006, p25). With the further formalisation of the CSR/ sustainability strategy at this organisation, further measures were implemented including the introduction of Euro V specification vehicles *“two years ahead of legislation”* (CSR report 2007, p23); and, the introduction of *“new trial ‘teardrop’ shaped trailer for use on clothing and home deliveries ... designed to improve fuel efficiency by up to 15% and loading space by 10%”* (CSR report 2007, p 23).

#### Green factories

Green factories are factories where M&S has supported specific suppliers in their efforts to create more environmentally friendly production facilities: *“Our suppliers now have four General Merchandise... ‘green’ factor[ies]. [They] use significantly less energy and water than that required by traditional factories”* (CSR report 2010, p24.) They act as *“models”* for other suppliers to learn from.

#### Water measurement of suppliers

Suppliers are being considered in relation to certain environmental impact areas at this organisation: *“we are working with WWF to calculate our ‘water footprint’ in key parts of our supply chains”* (CSR report, 2008, p25). This is similar to carbon footprinting and will allow the organisation to assess where water usage may effectively be reduced and where it might have the biggest impact.

#### Use of code of conduct

The use of a code of conduct guides governance practices: *“these Principles set down our requirements for suppliers to comply with all relevant local and national laws, particularly on: working hours and conditions, health and safety, rates of pay, terms*

*of employment and minimum age of employment...As our relationship with a supplier develops, we expect them to improve working conditions in line with the more demanding standards promoted by the Ethical Trading Initiative” (2003/4 CSR report, p 23). All factories must meet “strict minimal ethical standards” (M1). Certain environmental issues are also considered. An environmental code of practice on dyeing, printing and finishing was created prior to 2001 (CSR report 2003/04).*

### **Membership of ETI**

Membership of the ETI demonstrates a commitment to ethical trade: *“All of our product suppliers, no matter where they are in the world, are expected to meet our Global Sourcing Principles and work towards the ETI base code” (CSR report 2005, p6.)*

### **1<sup>st</sup> tier auditing / monitoring**

The auditing and monitoring of suppliers is a governance practice which at this organisation includes *“introducing semi-announced on-site assessments of our suppliers, conducted within a three-week period, to ensure they are working to our Global Sourcing Principles” (CSR report 2009, p32.)* Specific auditing practices have included audits of supplier self-assessments around dyeing (CSR report 2003/04).

### **Ethical training of suppliers**

Suppliers receive training around ethical trade and this takes a variety of forms including quarterly meetings with large suppliers *“to share best practice and ensure a consistent approach” (CSR report 2003/04, p 23).* The training of suppliers takes the form of conferences as well as handbooks: *“We provided over 80,000 hours of supplier training, including ethical trade conferences in China, South Africa, Vietnam, Spain, Bangladesh, Egypt and Indonesia. These covered difficult issues including ‘living’ wage and working hours” (CSR report 2010, p34).* Suppliers are also regularly provided with documentation and updates (CSR report 2008). The organisation claim to go beyond what retailers are obliged to do by helping workers understand what their life can be like (M1).

### **Animal welfare policy established**

Animal welfare issues are dealt with through policies at this organisation (CSR report 2003/04) such as in relation to the prohibition of the use of fur in clothing products.

This policy was then refined over time and the organisation “*started to develop plans across key raw materials in clothing* ” in 2009 (CSR report 2010, p32.)

#### **Supplier-driven ethical initiative**

A clothing supplier, PT Dewhirst, set up a factory in Indonesia and started working with a local health-training group in order to improve living standards for local people. “*In 2003 we became involved*” (CSR report, 2003/04, p25).

#### **In-country resources**

In order to better monitor suppliers, M&S “*introduced local Regional Compliance Managers in seven countries around the world to monitor ethical standards by carrying out audits at short notice*” (CSR report 2009, p11.) In addition, the in-country resources provide practical help through language training and best practice guidance. At the time of this study, M&S had 17 people and 3 compliance administrators. This allows greater governance but also local education relating to ethical practices.

#### **Supplier benchmarking**

This practice relates to improving the education of workers: “*the setting up of local benchmarking groups has really helped our suppliers make improvements. In Morocco, for example, a benchmarking group has been directly responsible for 1,000 workers completing literacy training*” (CSR report 2003/2004, p 24). This directly links to improving the lives of workers.

#### **Supplier exchange**

This is an online system where information is provided for suppliers about Plan A: “*an internet-based resource for information about all aspects of Plan A*” (CSR report 2008, p26). When initiated, the Supplier Exchange focused purely on ethical performance, not environmental performance, and was a resource to educate suppliers. The Supplier Exchange resource has been extended to incorporate environmental issues: “*launching a Supplier Exchange to drive best practices, stimulate innovation and help suppliers secure funds to develop more sustainable production technologies and invest in their workforces*” (CSR report 2010, p36). It has been upgraded to provide guidelines on green factories, waste, water efficiency and other environmental initiatives, as well as ethical trade.

### **Ethical factories**

The creation of ethical factories is directed by suppliers but supported by M&S: *“we’ve worked with suppliers to open three ethical model factories in Bangladesh to demonstrate the economic benefits of good ethical performance. We’ll use the lessons we learn at these model factories to improve standards across our supplier network”* (CSR report 2009, p11.)

### **Supplier ranking**

M&S has introduced a governance practice which helps buyers to assess suppliers on their ethical performance: *“we’ve introduced a benchmarking system for ...suppliers which contains an ethical trading ranking to help our buying teams assess the overall performance of suppliers”*(CSR report 2009, p33.) This implies that suppliers with better rankings have an advantage over others.

### **Use of environmental code of conduct**

Certain environmental issues are also considered. An environmental code of practice on dyeing, printing and finishing was created prior to 2001 (CSR report 2003/04).

### **Water measurement**

Suppliers beyond the first-tier are being considered in relation to certain environmental impact areas at this organisation: *“we are working with WWF to calculate our ‘water footprint’ in key parts of our supply chains”* (CSR report, 2008, p25). This is similar to carbon footprinting and will allow the organisation to assess where water usage may effectively be reduced and where it might have the biggest impact.

### **Environmental training of suppliers**

This includes a number of micro practices including a best practice cotton production programme in Warrangal, India (CSR report, 2010) and efficiency guide around water usage for farmers (CSR report, 2010).

### **Clothing Exchange**

This program has been running in conjunction with Oxfam since 2008. People donating M&S items of clothing or fabric to Oxfam receive a £5 M&S voucher which they can use on their next purchase over £35.<sup>23</sup>

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<sup>23</sup> <http://plana.marksandspencer.com/about/partnerships/oxfam/stories/10/>

### **Per Cent Standard**

This initiative is “*made up of companies committed to investing at least 1% of pre-tax profits into communities*” (CSR report, 2007, p15).

### **Community initiatives**

This organisation started its ‘Marks & Start’ initiative in 2004. This is a “*work experience programme to help people including disadvantaged groups like the disabled and homeless back into work*” (CSR report, 2007, p15).

### **Ethical Marketing Campaign**

This organisation launched an ethical marketing campaign, Look behind the Label, in 2006.

### **Support of charities**

Charities which have been supported by this organisation include Breakthrough Breast Cancer<sup>24</sup>, Groundwork<sup>25</sup>, and Save the Children<sup>26</sup>. Initiatives include fundraising activities, and selling specially designed product ranges.

### **Publication of annual CSR reports**

M&S has been publishing annual CSR reports since 2003. These reports have been called How we do Business since 2007. They contain information about the organisation’s CSR initiatives and targets.

### **Work with external stakeholders**

The organisation works with a broad range of external stakeholders including the Carbon Trust<sup>27</sup>, Waste Resources Action Programme<sup>28</sup>, Building Research Establishment<sup>29</sup>, WWF<sup>30</sup> and Business in the Community<sup>31</sup>. They also engage other

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<sup>24</sup> Breakthrough Breast Cancer is a UK charity supporting breast cancer research and education

<sup>25</sup> Groundwork is an environmental charity within the UK which encourages regeneration

<sup>26</sup> Save the Children is an international charity working in 120 countries to improve the lives of children

<sup>27</sup> The Carbon Trust provides certification and advice on reducing carbon emissions

<sup>28</sup> The Waste Resources Action Programme is an organisation which focuses on helping organisation to minimise the environmental impact of their packaging

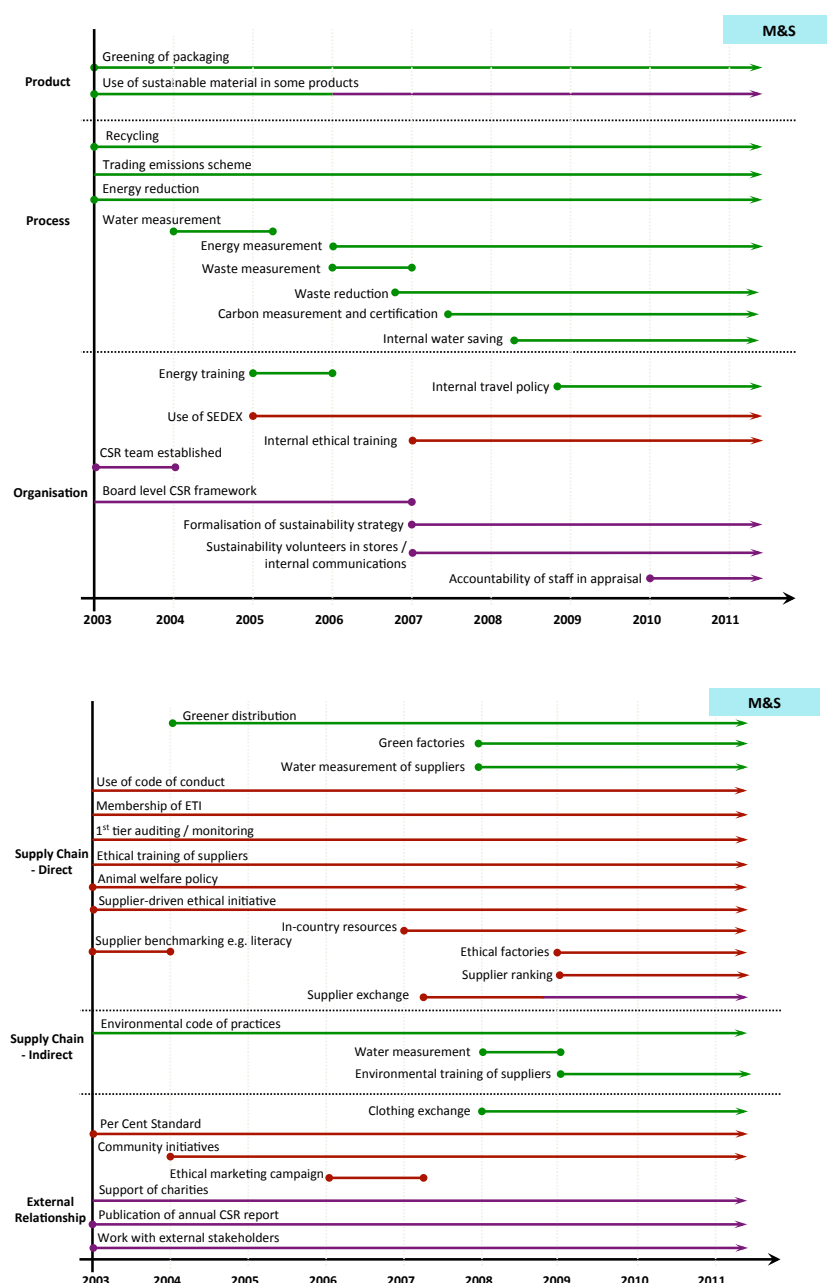
<sup>29</sup> The Building Research Establishment is an organisation which carries out research relating to construction work within the UK. It has an environmental rating scheme.

<sup>30</sup> The World Wildlife Fund for Nature is a NGO focusing on global conservation

organisations, for example “our target in 2004/05 is to involve human rights groups more in our work in Morocco, Sri Lanka, and Indonesia” (CSR report 2003/04, p24)

### Summary of capability-building at M&S

Figure 16 Capability-building – M&S (See Appendix 4 for key)



### 4.3.5 Summary of capability-building identified

<sup>31</sup>Business in the Community works with UK organisations and promotes responsible business through outreach programmes

Table 18 Summary of capability-building identified

			Ethical	Environmental	Both
BODEN	Intra-org	Product and process		Greening of packaging Greening of catalogue (Both indirect products) Recycling	
		Organisation	Ethical role established Internal systems Use of SEDEX Internal ethical training Growth of team	Environmental training regarding catalogue	
	Inter-org	Direct supply chain, indirect supply chain, external relationship	1 <sup>st</sup> tier auditing/ monitoring Use of code of conduct Membership of ETI 2 <sup>nd</sup> / 3 <sup>rd</sup> tier auditing/ monitoring	Greener distribution  Support of Rainforest Concern Greening of packaging (indirect) Carbon neutral Energy reduction Printing initiative	Use of sustainable materials in some products
ASOS	Intra-org	Product and process		Greening of packaging (indirect) Carbon neutral Energy reduction Printing initiative	Use of sustainable materials in some products
		Organisation	Use of SEDEX Internal ethical training Ethical role integrated into technologist role	Environmental role established EMS, seeking ISO14001	Sustainable role and department established Sustainability formalised as part of strategy Role of sustainable buyer established
	Inter-org	Direct supply chain, indirect supply chain, external relationship	Use of code of conduct Membership of ETI 1 <sup>st</sup> tier auditing/ monitoring  Payroll giving Educational support	Greener distribution	Support for charities
NEW LOOK	Intra-org	Product and process		Greening of packaging (indirect) Use of environmentally friendly materials in some products Environmental review/ carbon footprint Recycling Waste management in stores	
		Organisation	Use of SEDEX / Internal ethical training Regulation register Ethical department established Ethical champions Regulation register	Environmental champions Environmental role established	
	Inter-org	Direct supply chain, indirect supply chain, external relationship	Code of conduct / Membership of ETI 1st tier auditing/monitoring In-country resources Contracts with top 5 suppliers Ethical training of suppliers Animal welfare policy established Productivity project Supplier-driven ethical initiative  Support of charities Payroll giving	Greener distribution Supplier-driven environmental initiative Chemical policy/ compliance	
MARKS & SPENCER	Intra-org	Product and process		Greening of packaging (indirect) Recycling Trading emissions scheme Energy reduction Water measurement Energy measurement Waste measurement Waste reduction Carbon measurement and certification	Sustainable materials used in some products
		Organisation	Use of SEDEX Internal ethical training	Energy training Internal travel policy established	CSR team established Board level CSR framework Formalisation of sustainability strategy Sustainability volunteers in store Accountability of staff in appraisal
	Inter-org	Direct supply chain, indirect supply chain, external relationship	Use of code of conduct Membership of ETI 1 <sup>st</sup> tier auditing Ethical training of suppliers Animal welfare policy Supplier-driven ethical initiative In-country resources Supplier benchmarking Ethical factories Supplier ranking  Per Cent standard Community initiatives Ethical marketing campaign	Greener distribution Green factories Water measurement of suppliers  Environmental code of practices Water measurement Environmental training of suppliers  Clothing exchange	Supplier exchange  Support of charities Publication of annual CSR report Work with external stakeholders



#### 4.4 Within case analysis (RQ3): How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?

##### 4.4.1 Interactions – Boden

###### *Interaction between coercive pressures and capability-building*

Coercive pressures have driven the ethical agenda at Boden. These have mainly related to cultural expectations and stakeholder pressure, rather than regulation. For example, leadership commitment in the form of approval to create an ethical department: *“I feel that the situation that we’re in, we put a good case forward and we wouldn’t have done that unless we needed it, and that was recognised and it was signed off”* (B2) and a board member responsible for ethical trade: *“he’s actually really motivated about ethical trade and he’s got a really good overall understanding of commercially how things fit together”* (B2) illustrate these external pressures leading to a focus on the ethical dimension of sustainability. This has driven the establishment of practices including an ethical role, monitoring of first-tier suppliers and the use of a code of conduct. These pressures lead to organisational capability-building, including the formalisation of ethical trade through a department and specified individual; training of buyers and other employees around how to purchase more responsibly; and the use of systems such as SEDEX to manage factory data. These pressures also lead to direct supply chain capability-building, including the use of a code of conduct for suppliers; monitoring of those suppliers in line with the code of conduct; and membership of the ETI. The existence of certain coercive pressures complements ethical capability development and acts as an initial driver.

Fewer coercive pressures exist in relation to environmental practices for Boden. Consumer-facing practices, including making the catalogue more environmentally friendly through the use of certified paper, and making packaging more environmentally friendly through the increased use of recycled materials demonstrate coercive pressures complementing individual practices rather than broader capability development. Other environmental practices are not driven by institutional pressures but by other motivations, predominantly cost reduction. Examples include the

recycling of materials within the organisation and more environmentally friendly distribution methods such as shipping over air freight.

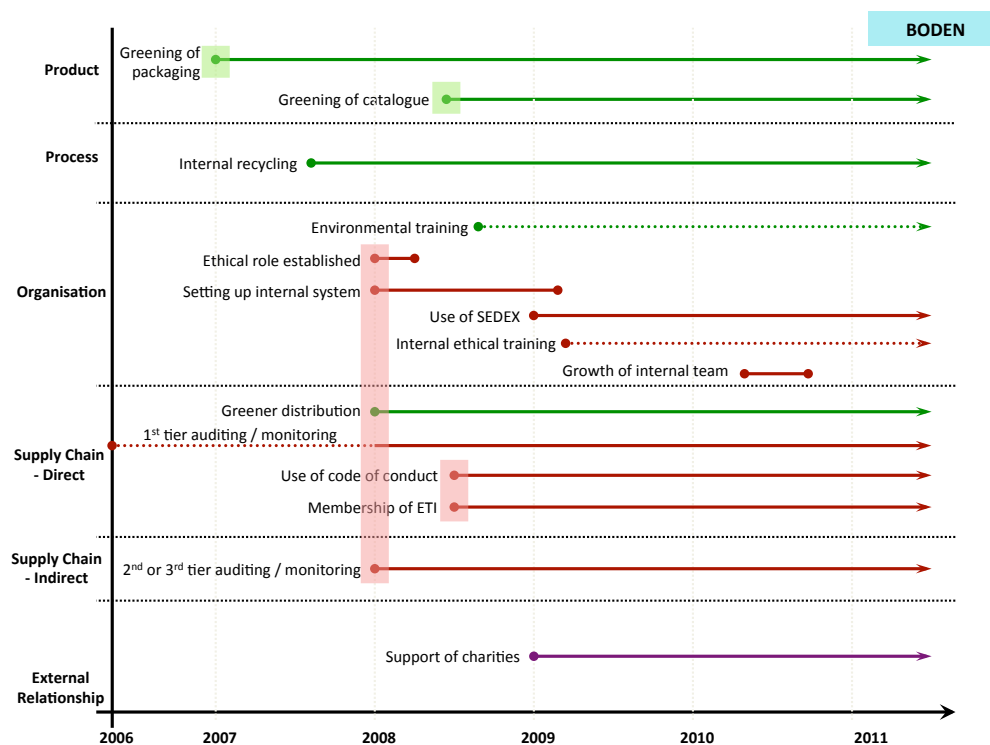
### *Interaction between mimetic pressures and capability-building*

Broad level mimetic pressures have not been explicitly identified in relation to this organisation. Mimetic pressures have emerged in relation to packaging: “*there was a lot of companies doing it at the same time and I think it was probably the fact that the prices for these things went down at about the same time*” (B4). Therefore, this has led the organisation to develop capabilities in this area.

### *Interaction between normative pressures and capability-building*

Broad level normative pressures have not been explicitly identified in relation to this organisation. Normative pressures are present in relation to membership of the ETI and the organisation’s use of their code of conduct since these are common practices within the industry. This influences their capability-development to a certain extent. Figure 17 shows the interactions between institutional pressures and capability-building for Boden.

**Figure 17 Interactions – Boden (See Appendix 4 for key)**



#### 4.4.2 Interactions – Asos

##### *Interaction between coercive pressures and capability-building*

Coercive pressures have mainly driven ethical initiatives within this organisation, as well as broader sustainability initiatives. These have mainly related to cultural expectations and stakeholder pressures, rather than regulation. For example, leadership commitment in the form of formalisation of a sustainability strategy: *“I came in and pitched, and said we need to do this job, we need this and this, and they went ok, because Nick is very good at listening to a new good idea. And then once he’d accepted that good idea, he then went off and read up about it and went oh my god, we definitely need to be doing this, pack up immediately and start!”* (A1) and the creation of a CSR department: *“we don’t really want to be like a little CSR department stuck on the side, the idea is that people within every department are engaged which is why we’ve made it one of our company strategies”* (A1) illustrate these external pressures. The emphasis on risk minimisation at this organisation, for example *“I think like any business the original driver has always been, like any other retailer, brand protection”* (A3) demonstrates that the emphasis is more heavily on the ethical dimension of sustainability than the environmental one. These pressures have led to organisational and direct supply chain capability development within the organisation. In relation to specific organisational capability-building, this includes the development of a CSR department incorporating a technologist with a specific responsibility for ethical trade, the use of SEDEX to manage data, and ethical training. In relation to inter-organisational direct supply chain capability-building, these include governance practices such as the use of a code of conduct, membership of the ETI and monitoring of first tier suppliers.

Asos sells their products online only and has no stores. Therefore the pressures to become carbon neutral in the *“spirit of wanting to do the right thing”* (A1) are in line with the organisation’s belief that this will be relatively easy for them to implement since they have no stores to take into consideration. This helps to explain why they go beyond other organisations’ approaches to energy measurement or reduction and move directly to becoming carbon neutral. Their approach to packaging is motivated by legitimacy.

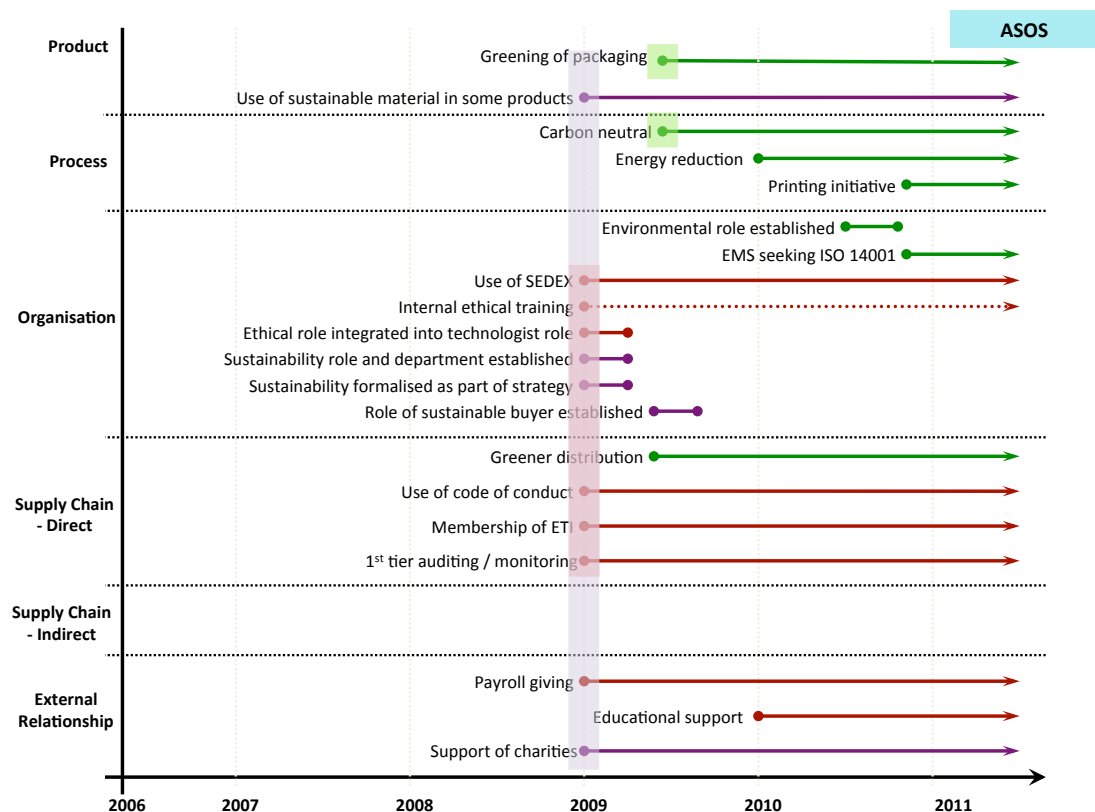
### Interaction between mimetic pressures and capability-building

A desire to “*learn from the best practice*” (A1) and eventually to “*do it better than*” competitors (A2) demonstrates that mimetic pressures also exist and drive capability-building within this organisation suggesting a desire to reach the standards of other organisations and surpass them.

### Interaction between normative pressures and capability-building

Broad normative pressures have not been explicitly identified in relation to Asos. However, pressures for specific practices, such as more environmentally friendly packaging, emerge due to the “customer-facing” (A2) nature of the practice and therefore capabilities are developed in order to positively influence consumers’ perceptions of the sustainability of the organisation. Normative pressures for membership of the ETI and the use of a code of conduct means there is more support or “oomph” (A2) behind the practices leading to greater capability development. Figure 18 shows the interactions between institutional pressures and capability-building in Asos.

Figure 18 Interactions – Asos (See Appendix 4 for key)



#### 4.4.3 Interactions – New Look

##### *Interaction between coercive pressures and capability-building*

Coercive pressures have mainly driven ethical initiatives at this organisation and these have mainly related to cultural expectations and stakeholder pressures, rather than regulation. These are illustrated by the “*passionate commitment of the CEO*” (N3) to the ethical trade agenda. Coercive pressures have led to capability-development around ethical trade through organisational capabilities. These include the extensive ethical training carried out within the organisation and the creation of ethical champions to forward the agenda. Coercive pressures have also driven the development of direct supply chain capabilities. These include the creation of in-country resources, which are employees located in specific manufacturing countries in order to monitor and assist the suppliers in relation to ethical trade.

Recent coercive pressures have also emerged in relation to carbon-related environmental practices through the introduction of the Carbon Reduction Commitment and this has led to practices including a wide scale internal environmental review and carbon measurement. These allow New Look to assess where their greatest environmental impact is and direct future capability-development.

Some coercive pressures also exist around compliance. These include the creation of a regulation register to understand the standards of different countries around working conditions; and the creation of a chemical policy to inform suppliers about unacceptable chemical usage. These practices have developed largely to ensure the organisation meets necessary standards and effectively governs them. Environmental consultants were used in order to: “*make sure that we’re complying with all of the EU, UK, and Republic of Ireland environmental regulation*” (N2). As such, these practices focus on meeting expectations rather than on capability-development.

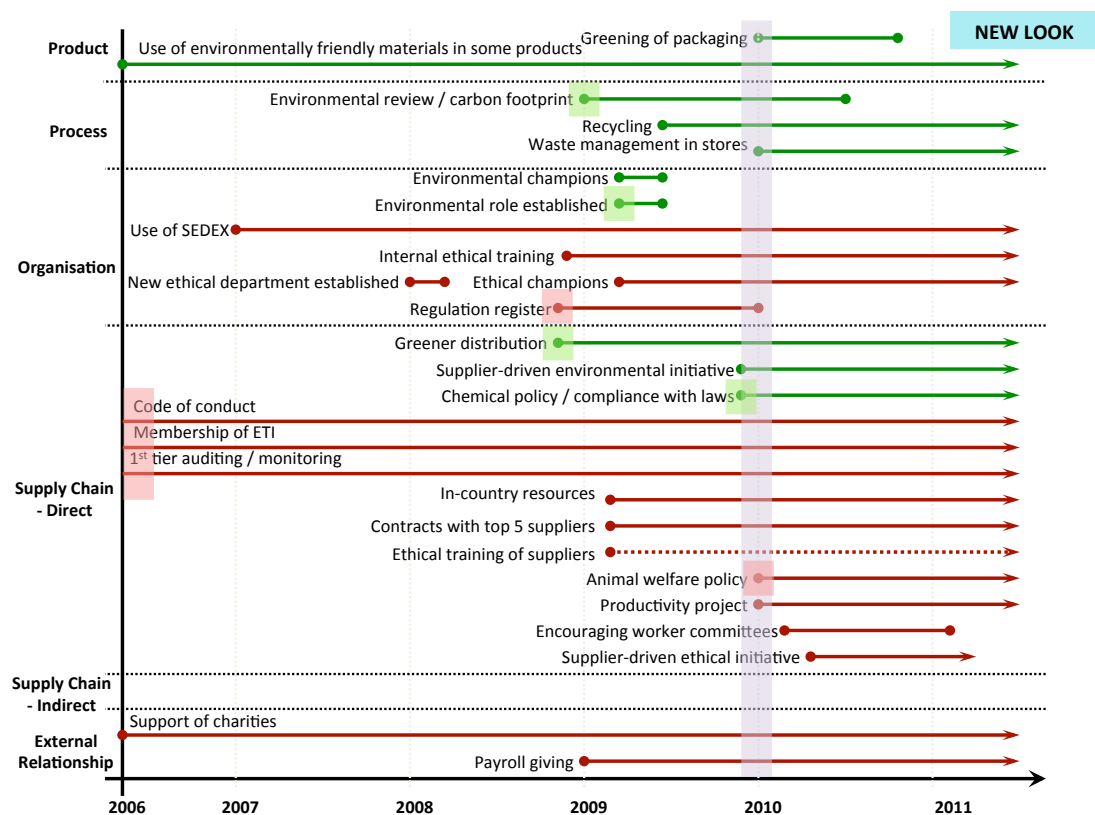
##### *Interaction between mimetic pressures and capability-building*

Broad level mimetic pressures have led to a desire to perform effectively in regards to sustainability: “*if you look at what H & M do, they’re obviously leaders in that sort of stuff and we regard them as something we aspire to be much more, much better than at the end of the day*” (N1). Therefore there is a desire to create capabilities around sustainability practices and exceed competitor actions.

### *Interaction between normative pressures and capability-building*

Broad level normative pressures have not been explicitly identified in relation to New Look. Normative pressures are present in relation to membership of the ETI and the organisation's use of their code of conduct since these are common practices within the industry. This influences their capability-development to a certain extent. Figure 19 shows the interactions between institutional pressures and capability-building in New Look.

**Figure 19 Interactions – New Look (See Appendix 4 for key)**



### **4.4.4 Interactions – M&S**

#### *Interaction between coercive pressures and capability-building*

Coercive pressures – caused both by regulation and by consumer expectations – are present in M&S. This can be seen in relation to measures for broad level ethical/sustainability practices as well as individual practices. A commitment to sustainability, seen through the publication of the organisation's first CSR report in 2003 and then re-emphasised in 2007 with the formalisation of their sustainability strategy, has led to

capability-development within intra- and inter-firm areas. The dominant foci have been on the development of process, organisation, direct supply chain and external relationship sustainability management capabilities, whereas product and indirect supply chain sustainability management capability-building is less well developed. Although there have been pressures for specific practices, the organisation demonstrates a wider commitment to sustainability as seen through the variety of practices implemented. Therefore, the organisation wants to set itself apart from its competitors: *“CSR allows us to differentiate our products in a competitive marketplace”* (CSR report 2006, p6). As such, the initial coercive pressures typically act as the starting point for pursuing different sustainability practices but the organisation wishes to go beyond those: *“our vision is to be the standard against which all others are measured”* (CSR report 2003/04, p5). The organisation wishes to be a first mover. For example: *“In 2007/08 we became the first major UK clothing retailer to launch organic wool and linen garments”* (CSR report 2008, p 23). Capability-development can follow from those pressures but can also emerge in relation to a broader sustainability agenda and the organisation’s desire to be the most sustainable retailer.

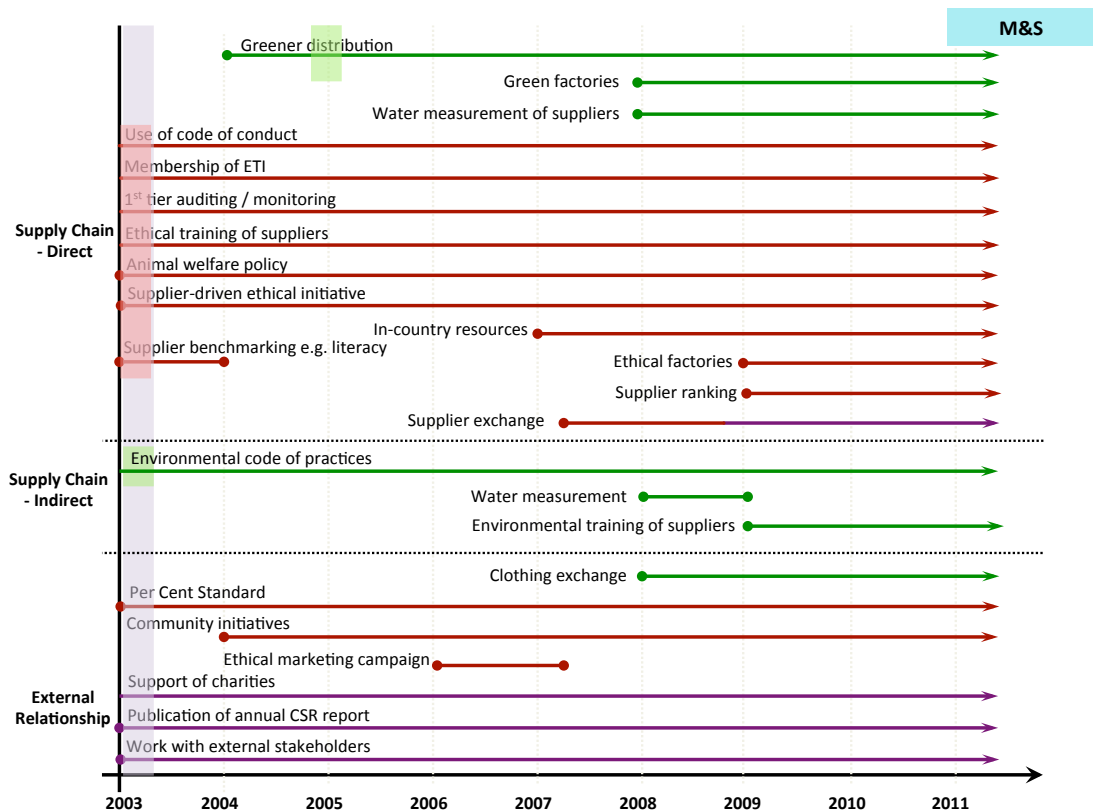
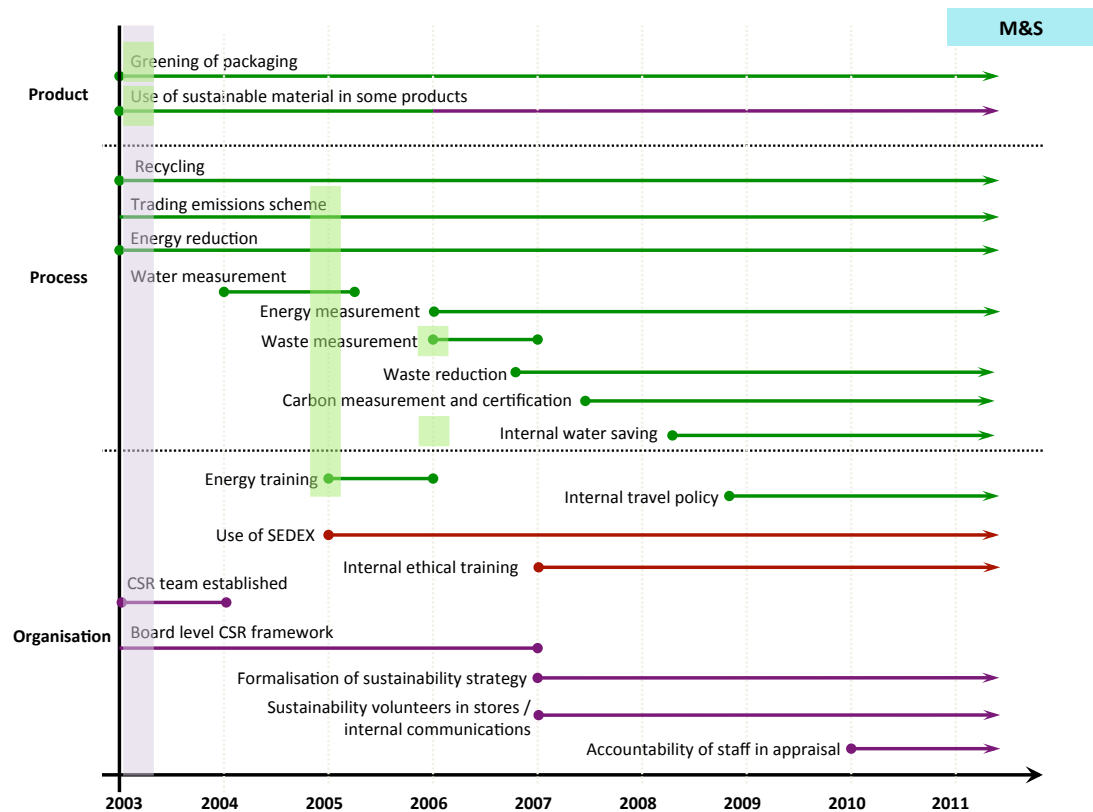
#### *Interaction between mimetic pressures and capability-building*

Broad level mimetic pressures have not been explicitly identified in influencing capability development in relation to this organisation. However, as will be discussed later, this organisation may demonstrate the creation of mimetic pressures that other organisations follow within this industry.

#### *Interaction between normative pressures and capability-building*

Broad level normative pressures have not been explicitly identified in influencing capability development in relation to this organisation. However, as will be discussed later, this organisation may demonstrate a desire to create normative pressures for other organisations to follow within this industry. Figure 20 shows the interactions between institutional pressures and capability-building in M&S.

Figure 20 Interactions – M&S (See Appendix 4 for key)





## Summary

This chapter has presented the within-case analysis of the data collected within this study. Each of the research questions has been explored in relation to the individual organisations of Boden, Asos, New Look and M&S. It has firstly considered the influence of the three types of institutional pressure – coercive, mimetic and normative – on SOSM practice adoption. Secondly, it has examined the influence of capability-building – intra- and inter-organisational – on SOSM practice adoption. Finally, it has explored the interaction between the two different kinds of influence on SOSM practice adoption. The next chapter presents the cross-case analysis alongside the discussion of these findings.

## Chapter 5. Cross-case Analysis and Discussion

### 5.1 Introduction

This chapter is comprised of three sections that will discuss and compare the findings relating to each of the three research questions in turn.

*RQ1: How do coercive, mimetic and normative forces influence SOSM practice adoption?* (Section 5.2)

*RQ2: How does internal and boundary-spanning capability-building influence SOSM practice adoption?* (Section 5.3)

*RQ3: How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?* (Section 5.4)

### 5.2 How do coercive, mimetic and normative forces influence SOSM practice adoption?

Institutional theory is the first of two theories utilised in this research to explain the patterns of sustainable operations and supply management (SOSM) practice adoption in the UK fashion industry. Institutional theory asserts that organisations are affected by a number of pressures that lead them to act homogeneously and drives the process of isomorphism. This theory is pertinent in helping understand how operations managers respond internally to the pressures to maintain external legitimacy (Rogers *et al.*, 2007). Since organisations typically imitate competitors that they perceive to be more legitimate or successful (DiMaggio and Powell, 1983), the extent of these pressures within an industry will help to explain the similarities between organisations. Three mechanisms have been identified through which institutional isomorphic change occurs: a) coercive isomorphism, b) mimetic isomorphism, and c) normative isomorphism (DiMaggio and Powell, 1983). This study has examined how each of these three aspects of institutional pressure influence SOSM practice adoption within the fashion sector organisations involved in this research.

#### 5.2.1 Coercive pressures

Coercive pressure affects an entire industry and often takes the form of regulation (Wu *et al.*, 2012) or consumer pressure (Nair and Prajogo, 2009). These pressures have

been identified in relation to the adoption of a number of business practices including sustainability (Zhang and Dhaliwal, 2009; Braunscheidel *et al.*, 2011). Within the organisations examined in this research, coercive pressures are found to be the most pervasive form of institutional pressure and play an important role in influencing SOSM practice adoption. In addition, the emergence of micro niche fashion organisations during the 2000s (shown in appendix 2) provides additional evidence of the existence of exogenous pressures and indicate that a market exists for sustainability within this industry.

### *Coercive pressures for ethical SOSM practice adoption*

This study finds that coercive institutional pressures are particularly prevalent in relation to the adoption of the ethical element of SOSM for organisations in the fashion sector. Such coercive pressures are illustrated by leadership commitment to ethical trade initiatives in all four of the case organisations. Leadership commitment to ethical issues is often caused by external, institutional pressures and can be used as a proxy for coercive pressures (Park-Poaps, 2010; Vallentin, 2009). The adoption of ethical practices is particularly related to the cultural dimension of coercive isomorphism. This dimension has become especially relevant to the fashion industry over the last two decades with greater consumer pressure on firms to behave in a responsible manner. Contrary to prior studies that have argued that consumers remain inadequately informed about sustainability in the fashion industry (Defra studies, 2008, 2010; Fliess *et al.*, 2007), this research provides evidence to suggest that consumer awareness has increased significantly in the UK fashion sector. However, data analysis indicates that consumer awareness is predominantly around ethical issues, in particular ethical trade, and less developed in terms of environmental sustainability. The main reason for this imbalance in consumer awareness may in part be due to the high level of media interest in poor working conditions within the industry's supply chain, including exposés of poor working conditions in Nike (de Brito *et al.*, 2008), the use of child labour in Primark (BBC Panorama, 2008), and the various examples of sweatshop work environments given in the work of Klein (2000), for example. For the ethical agenda, the main coercive pressures appear to arise from cultural and consumer expectations. It is necessary for organisations to be seen to be monitoring practices and this is partially due to the necessity to mitigate risk since *“stakeholders are very concerned about CSR and sustainable business but particularly*

*ethical trade, because they see this as a potential risk*” (A1). Therefore, organisations’ behaviour is driven by the desire to reduce that risk rather than explicitly improve performance. This reflects legitimacy seeking behaviour (Zsidisin *et al.*, 2005) within the context of the industry, as well as the objective of avoiding the creation of a negative reputation (Forman and Jørgensen, 2004).

The patterns of practice across the four organisations in the main study also reflect these coercive pressures. Membership of the ETI; the use of codes of conduct; first-tier auditing; the use of SEDEX; and ethical training are common to all four organisations and demonstrate isomorphism of approach for ethical SOSM practices. This reflects the nature of what is expected in relation to ethical trade – governance practices as embodied by auditing, careful collation of data through SEDEX, and specific codes of expected behaviour. SOSM concerns may be industry-specific (Tate *et al.*, 2010) and the focus on ethical aspects of sustainability found within the case organisations may reflect the fact that the fashion sector is labour intensive and the pursuit of low cost labour to maximise revenues is inevitably equated to poorer working conditions (de Brito *et al.*, 2008). Although there is pressure for organisations to govern their suppliers, it can be difficult for focal organisations to monitor suppliers, especially further upstream in the supply chain, due to a lack of transparency. One of the organisations studied emphasised that suppliers commonly provide auditors investigating suppliers with fake books. This may be caused by the fact that not all suppliers can perform at the ideal ethical level espoused by retailers and are concerned that they might lose business if this is revealed.<sup>32</sup> Furthermore, some auditing is carried out via self-assessment where suppliers provide their own assessments and this compounds the lack of transparency. However, focal organisations may be held accountable for the behaviour of their suppliers despite having no legal obligation (Parmigiani *et al.*, 2011). For example, Gap Inc. suffered negative publicity and boycotts because of the behaviour of their suppliers (Ansett, 2007). A moral or social obligation, created by cultural expectations, means that organisations within this industry need to monitor or guide their suppliers, regardless of legal responsibility and this is contrary to the view espoused by Amaeshi *et al.* (2008).

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<sup>32</sup> US retailers used to remove their business from suppliers who performed poorly according to interviewee N4

Considering the regulatory dimension of coercive pressure on ethical SOSM practice adoption, this study finds little evidence that regulation is a critical driver of ethical practices for organisations in the UK fashion sector. In the case of this sector, ethical practice adoption is still largely voluntary. As such, compliance is not necessarily sufficient to ensure an organisation appears socially responsible (Bansal and Roth, 2000) – further pressures relate to the need to satisfy customers and meet the requirements of stakeholders (Handfield *et al.*, 2005). Therefore, legitimacy is related to these stakeholder demands rather than a need to comply with legislation.

### *Coercive pressures for environmental SOSM practice adoption*

In examining the influence of coercive forces on the environmental dimension of SOSM, this study demonstrates that organisations in the UK fashion sector are influenced to a limited extent by regulatory coercion and more extensively by consumer pressure. Considering firstly regulatory pressure, as noted extant literature suggests that regulation is a particularly important motivating factor for the environmental aspects of SOSM (Thu *et al.*, 2005). Of the four organisations in the main study, M&S is most strongly influenced by regulatory coercive pressures for environmental SOSM practice adoption. For example, M&S are obligated to report on carbon usage for the Carbon Reduction Commitment (2010)<sup>33</sup> and are regulated in terms of energy usage. Likewise, New Look is strongly influenced by regulation and has to provide information on carbon usage for the Carbon Reduction Commitment. Within the fashion industry, it is evident that large organisations are subject to stronger regulatory coercive pressures than smaller firms. For example, only organisations with an electricity bill of over £500,000 per annum fall under the remit of the Carbon Reduction Commitment. Both M&S and New Look have over 1000 stores globally and are therefore subjected to regulatory pressures that are not experienced by smaller firms within the industry, such as Asos and Boden. As such, though regulatory pressure is typically treated as central to the implementation of environmental SOSM practices within the literature (e.g. Zhu *et al.*, 2005, Zhu and Sarkis, 2006 and Zhu *et al.*, 2007), this is not the dominant form of coercive pressure in the context of the organisations within this study.

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<sup>33</sup> The Carbon Reduction Commitment (now known as the CRC Energy Efficiency Scheme) is an obligatory carbon-trading scheme, which affects large organisations within the UK. It officially began in April 2010.

This study lends support for the literature that argues that customer pressures are more dominant than regulatory pressures in influencing environmental practice adoption (Carter and Carter, 1998). Smaller companies in the fashion sector, such as Boden and Asos in this study, tend to experience lower levels of regulatory coercive pressure than larger organisations. Instead, the majority of coercive pressures for environmental practices exerted on such organisations relate to consumer and stakeholder expectations. Clemens and Douglas (2006) investigate voluntary environmental initiatives in their research stating that, “firms should consider both responsiveness to institutional forces and their ability to address internal economic issues” (p484). In response to consumer and stakeholder coercive pressures, the smaller clothing organisations studied focus largely on consumer-facing practices. For Boden, this relates to making the catalogue and packaging more environmentally friendly through reducing the size and weight of these, reducing packaging of catalogues<sup>34</sup>, and using environmentally certified or recycled materials. For Asos, this relates to packaging and to the organisation’s carbon neutral status where, due to their online nature, the organisation believes it is an easier task to achieve carbon neutrality than for other more traditional retailers. The absence of stores means that Asos’ internal environmental impacts are reduced. Their packaging has been reduced and utilises more sustainable materials, whilst their carbon neutral status is communicated to customers through the company’s website<sup>35</sup>. These practices demonstrate legitimising behaviour of organisations within the fashion sector with a strong focus on end consumer expectations.

### *Summary of coercive pressures*

Homogeneity of ethical practices can largely be ascribed to organisations seeking to fulfil the expectations of stakeholders by carefully monitoring and guiding their suppliers behaviour around labour standards. The environmental practices are less homogenous and their adoption demonstrates lower levels of isomorphism. This can

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<sup>34</sup> Catalogues used to be wrapped in plastic but that has now been removed

<sup>35</sup> “ASOS.com is a CarbonNeutral® company. This means that the CO<sub>2</sub> emissions from the company’s energy use, business travel, non-recyclable waste, deliveries and commuting have been measured and reduced to net zero through verified carbon offset projects. These include reforestation projects in Tanzania and the USA, clean energy production China and a wind powered cotton mill in Northern India.” <http://us.asos.com/infopages/asos-corporate-social-responsibility.aspx?r=2>

partially be ascribed to lower levels of coercive pressures. If the industry were subject to more regulation, it would be expected that practices would be more homogenous. Two of the organisations have explicit CSR approaches, combining ethical and environmental dimensions of sustainability – at this stage, this might be a way of differentiating themselves and driving this agenda forwards. Within current literature, consumer and stakeholder pressure is typically seen as a key driver behind ‘corporate environmental responsibility’, focusing on pressure for environmental improvement (Kovács, 2008; Carter and Jennings, 2004). However, contrary to extant work is the finding that these coercive pressures influence the adoption of ethical practices more strongly than the adoption of environmental practices.

### 5.2.2 Mimetic pressures

Mimetic pressures relate to different organisations within an industry – the pressure is internal to the industry yet external to individual firms. Such pressures have been identified as driving general practice adoption (Zsidisin *et al.*, 2005, Braunscheidel *et al.*, 2011) and sustainability practice adoption (Ageron *et al.*, 2011). Mimetic pressures are apparent in three of the organisations studied within this research. These organisations perceive other companies within the industry to be carrying out sustainability initiatives and this drives their own sustainability agenda.

The existence of publicly available CSR reports also encourages mimetic behaviour. Within the UK fashion industry, M&S and Next have been publishing CSR reports online since 2004, and Topshop (Arcadia) since 2007. This public release of information creates an environment of transparency through which competitors in the industry can gain an insight into successfully implemented sustainability practices. When a firm experiences uncertainty or ambiguity in terms of strategy, it often attempts to imitate other organisations (Liu *et al.*, 2010b). Referring to mimetic processes, DiMaggio and Powell (1983) assert that organisations imitate others that they believe to be more successful or legitimate than themselves. Organisations that publish CSR reports or other reports relating to SOSM practices are likely to increase their legitimacy from the perspective of competitors, consumers, and other stakeholders (Tate *et al.*, 2010). Reputational benefits for organisations seen as ‘good citizens’ (Gössling and Vocht, 2007) such as M&S, generate mimetic pressures that encourage other organisations to adopt similar SOSM practices.

All of the organisations provide information about their sustainability practices on their websites so interested stakeholders may see that sustainability is considered within the organisation. However, the level of information differs significantly. Publically owned companies (M&S and Asos) face more pressure to publish CSR reports whereas there is a less formal requirement for private companies (New Look and Boden) to share such information. This might indicate why the privately owned organisations, New Look and Boden in this study, do not currently produce CSR reports despite the mimetic pressures that might encourage legitimacy-seeking imitation. An explanation for Asos' lack of a CSR report might be due to the relative immaturity of commitment to SOSM within the organisation.

The existence of the Ethical Trading Initiative (ETI) has resulted in greater transparency around ethical practices across different organisations, since organisations agree to the same code of practice. However precise information on how such practices are being implemented is not shared. As an initiative that affects multiple industries, the ETI acts as a medium through which information about ethical trade may be shared. Members are required to work with other partners (including competitors) on projects and this enables the sharing of practices and further mimetic behaviour. Regular meetings also enable the emergence of new approaches or best practice. Within two of the case organisations in the main study, mimetic intent was demonstrated by a desire to be as good or better than competitors was noted. For example, *“if you look at what H&M<sup>36</sup> do, they're obviously leaders in sustainability and we regard them as a company we aspire to be as good as at the end of the day”* (N1).

However, one of the case organisations, M&S, does not follow this mimetic pattern. Instead of demonstrating an intention to be as good as competitors, the organisation is seeking to be a forerunner to competitors and therefore create mimetic or normative pressures, rather than simply responding to them. These can emerge through the sharing of best practice, publication of broad strategy within their CSR reports, and

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<sup>36</sup> H&M, a Swedish organisation, are regarded as one of the fore-runners in the sustainability agenda on the high street



demonstration of the business case for sustainability<sup>37</sup>. Although two other firms demonstrate an intention to be better than their competitors within this study, (i.e. a desire to create mimetic pressures for sustainability), only M&S show evidence of exceeding the other organisations' practice through the extent of their sustainability practice adoption. First-movers, such as M&S, lead the agenda and create a model for other firms to follow. M&S has declared its intent to be the most sustainable retailer in the world by 2015<sup>38</sup> and as such have a broader range of practices than the other organisations considered within this study.

Mimetic pressures have been identified as particularly critical drivers when practices are complex or difficult to use, but less important in influencing practice adoption when innovations are relatively simple (Liu *et al.*, 2010a). As such, this could help to explain why there are not more extensive mimetic pressures within the fashion industry. However, as organisations begin to address sustainability concerns further within the supply chain and the manufacturing process, the increased complexity of practices is likely to create stronger mimetic institutional forces. M&S's participation and support for the creation of model ethical or environmental factories may become an example of this form of mimetic pressure.

### 5.2.3 Normative pressures

Normative pressures relate to professionalisation and the fact that training tends to promulgate similar behaviour (Braunschneidel *et al.*, 2011). Training helps to create normative behaviour within organisations since it may increase knowledge as well as contribute to organisational capability-building (Sarkis *et al.*, 2010). Normative pressures have been identified as driving adoption of practices within the OSM literature (Zsidisin *et al.*, 2005; Liu *et al.*, 2010a) although they appear more infrequently than coercive and mimetic pressures (Braunschneidel *et al.*, 2011). Such limited evidence of normative pressures within extant literature is mirrored within organisations in this study.

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<sup>37</sup> M&S claimed to have generated £50 million in profit from Plan A in 2010, which would be reinvested in the business. <http://www.retail-week.com/in-business/responsible-retail/ms-plan-a-injects-50m-profit-back-into-the-business/5013857.article>

<sup>38</sup> <http://www.guardian.co.uk/sustainable-business/staff-plan-worlds-sustainable-retailer>

For three of the four main cases, there is evidence of normative pressures around membership of the ETI, and codes of conduct for ethical practices. The existence of global standards or organisations help to create normative pressures (Gilbert and Rasche, 2008; Nair and Prajogo, 2009) and the ETI is an example of such an organisation within the fashion industry. Although M&S is also a member of the ETI and uses their code of conduct, its earlier adoption of this practice suggests that they were not influenced by normative pressures but instead are part of creating them. M&S also helped to develop SEDEX in order to manage supplier data more effectively and all three of the other organisations have since adopted it.

Considering the environmental dimension of SOSM, the study found no evidence of normative pressures influencing the adoption of environmental practices within the organisations studied. Since maturity of practices within specific industries, or extensive adoption of practices can help create accepted norms (Braunscheidel *et al.*, 2011), the relative immaturity of environmental practices compared to ethical practices within this industry helps to explain the absence of normative pressures for environmental practices. Furthermore, the labour-intensive, as opposed to resource-intensive, nature of the fashion industry suggests that normative pressures for ethical practice adoption are likely to emerge more rapidly than normative pressures for environmental practice adoption. The formalisation of ethical departments also suggests that organisations have a broader understanding and commitment to the ethical dimension of SOSM. At present, the environmental dimension of sustainability experiences fewer coercive pressures and is not fully integrated in supply chain management at an educational level, resulting in diminished normative pressures (Preuss, 2002). The lack of normative pressures also helps to explain why there is limited isomorphism around environmental practices. Whilst organisations continue to approach environmental issues in a more differentiated manner, there will remain less consensus around the best way to approach the environmental agenda.

Typically, coercive and mimetic pressures appear to drive normative pressures. Broad industry or competitive pressures encourage organisations to engage with an issue, before normative pressures then develop inside organisations through shared practice and understanding. Without these earlier pressures, it is less likely for normative pressure to emerge. Ageron *et al.* (2011) assume that it is a necessity for organisations to consider sustainability concerns within their operations and supply chain, suggesting that sustainability is becoming a normative dimension of OSM.

However, what this means in practice is less apparent. As sustainability becomes more embedded within the fashion industry, it is expected that more normative pressures will emerge, although for the reasons described above, these are likely to differ for ethical and environmental practices.

More extensive training will drive normative practice adoption (Sarkis *et al.*, 2010). Utilising external consultants for training will encourage this since their knowledge will be shared across the industry creating expected norms of behaviour. Two of the organisations studied (Boden and New Look) currently use the same external consultants (Impactt) and therefore should gain similar knowledge. This organisation is also used by other organisations within the industry and different industries, since they provide expertise in the area of ethical trade. Using consultants and sharing of best practices will encourage normative behaviour – the ETI encourages this through multi-organisation projects; and M&S encourages it between suppliers through their Supplier Exchange program. The existence of organisations such as the ETI drive homogeneity of approaches and increasing normative standards for ethical behaviour through an explicit code of conduct, often adopted by organisations, and specific criteria to maintain membership. As such, the fashion organisations studied here may act in similar ways to organisations which are also members of the ETI. Whilst this is outside the remit of the present study, it suggests that normative behaviour may not always be industry-specific but might relate more to the issue being considered, in this case that of ethical trade. Finally, normative pressures may emerge from increased capability-building and this will be further discussed in relation to the third research question (see section 5.4).

#### **5.2.4 Summary of institutional pressures**

It must be considered that whilst coercive, mimetic, and normative pressures are theoretically different, they can be difficult to separate empirically (Gopal and Gao, 2009; Braunscheidel *et al.*, 2011). There is some overlap in the nature of institutional pressures which influence the adoption of SOSM practices. Within the data, explicit reference to normative and mimetic pressures are made less frequently than to coercive pressures. However, the patterns of practice adoption, specifically in relation to ethical trade, suggest that normative behaviour is beginning to occur within the UK fashion industry. In addition, the publication of CSR reports within the industry

suggests a medium for driving mimetic pressures. Ethical practice adoption appears to be more heavily influenced by institutional pressures than environmental practice adoption and, despite homogeneity of broad environmental practices, these are more differentiated at a micro level.

### **5.3 How does internal and boundary-spanning capability-building influence SOSM practice adoption?**

Resource-based theory (RBT) is the second of two theories utilised in this research to explain the patterns of sustainable operation and supply management (SOSM) practice adoption in the UK fashion sector. RBT explicates that capabilities/ resources must be valuable, rare, inimitable and non-substitutable (VRIN) if competitive advantage is to be achieved from them (Barney, 1991). Therefore, advantage-bearing capabilities are increasingly complex, including organisational resources such as knowledge, experience, and relationships which are difficult to replicate due to their social complexity and reliance on historical conditions (Dierickx and Cool, 1989). RBT is prevalent in the literature for explaining inter-firm differences in performance (Hoopes *et al.*, 2003) and helps to address the issue as to why organisations within an industry display heterogeneity. This focus on endogenous resources and capability-building is valuable since it allows consideration of the unique, idiosyncratic characteristics of organisations. RBT is also particularly valuable within the area of OSM due to the fact that it is within operations that competitive capabilities can be developed (McIvor, 2010) since “internal resources and capabilities are the foundation for a firm’s strategy” (Wu *et al.*, 2010, p722). Within this research, capability-building is divided into intra-organisational – a) product and process and b) organisational; and inter-organisational incorporating supply chain and external relationships.

#### **5.3.1 Intra-organisational capability-building – product and process**

The first main aspect of intra-organisational capability development considers how organisations attempt to make their products and/or process more sustainable (Lee and Klassen, 2008). Improving product sustainability typically relies on the use of green and recycled materials in products or packaging, and making products or packaging more recyclable (Caniato *et al.*, 2012). Improved process sustainability typically

focuses on energy efficiency, investment recovery (Zhu *et al.*, 2010; Zhu *et al.*, 2011), waste management (Ageron *et al.*, 2011), and recycling (Zsidisin and Siferd, 2001).

Considering firstly, product sustainability capability-building, data analysis indicates that the predominant focus of the four case organisations is on environmental initiatives. In line with the Caniato *et al.* (2012) study, the initiatives identified in this research focus on two areas: direct materials, through the use of organic materials and limited Fair Trade materials in garments; and indirect materials, through minimisation practices, or by making packaging more environmentally friendly.

For direct materials, Boden is yet to develop any products made from sustainable materials whilst New Look has produced a number of ranges of products made from environmentally friendly materials such as organic cotton. Asos and M&S have both created clothing ranges using organic, Fair Trade, and alternative materials, with M&S even creating garments from plastic bottles. The literature suggests that there remains a lack of consensus around what makes an environmentally friendly product (Baumann *et al.*, 2002) and whilst material usage is one approach, it does not consider impacts at different stages of the process. Although not the most rigorous approach to greening a product, the use of sustainable materials is customer-facing and therefore may help to create legitimacy for the organisations, suggesting a focus on reputational advantages. These practices relate to a minimal level of sustainable purchasing since sustainability is not considered within the design process but merely in the nature of the fabrics used. The process remains the same, except fewer suppliers can provide the organisation's requirement and often the final price point and margin is higher (N10). M&S is the most mature of the four organisations in this study, demonstrated by the fact that the company uses the largest proportion of Fair Trade cotton in its products of any UK fashion retailer and the length of time it has been carrying out product-centric practices. These practices may suggest a commitment to further capability development within this area.

Eco-design includes the design of products for reduced energy/ material consumption; design of products for recovery, reuse, and recycling of components; and design of product to reduce the manufacturing process or the nature of materials (Zhu and Sarkis, 2004b, Zhu and Cote, 2004). There is an absence of practices relating to eco-design within the organisations studied except in relation to the substitution of conventional materials for sustainable ones in some products, and the M&S example of plastic bottles being used in the manufacture of some items of clothing. A number

of organisations considered within the pilot study demonstrated more innovative approaches than the organisations considered in the main part of the study. For example, Beyond Somewhere make use of post-consumer waste – material which is not used within the manufacture of other garments but left on the factory floor – in order to create new garments.

The organisations studied within this research have not reached the level of maturity necessary for product stewardship (Hart, 1995) where the life cycle is considered, although M&S in their partnership with Oxfam do consider what happens to their clothing when the customer no longer requires its use. This consideration is important because although the main environmental impacts of the fashion industry occur at the use stage (Allwood *et al.*, 2006), the disposal stage is also impactful.

For indirect materials, New Look demonstrates the lowest level of maturity in this area, having purely focused on a footwear project rather than a broader approach to packaging. Boden has been using increasing quantities of recycled materials in both their plastic packaging and their paper packaging. Since they are predominantly a mail order retailer, they have also created their catalogues using certified materials. Similarly Asos has been increasing the quantity of recycled material in their packaging. M&S demonstrates the highest level of maturity having carried out packaging initiatives for the longest time and focused across all ranges. Such maturity in indirect product-based capability-building can be effective in improving environmental and economic performance due to the reduction of waste or minimisation of material usage (Bowen *et al.*, 2002).

The labour intensive nature of this industry could suggest why the products are not considered more in relation to sustainability given the focus is more on the manufacturing process and conditions surrounding it. Within extant SOSM literature, the ethical dimension of sustainability is rarely considered within the product and this is also the case within this study. Data indicate that organisations find it easier to integrate environmental concerns into their products than ethical ones, and product capabilities may be extended further to differentiate products such as M&S' recycled plastic bottle fleeces. However, there must be adequate demand for these products or organisations will not commit the necessary resources to develop their capabilities further.

Considering secondly, process sustainability capability-building, data analysis indicates that the predominant focus of the four case organisations is on environmental

initiatives and are at a relatively low level of maturity. Three of the four organisations focus on waste, through practices relating to recycling and waste reduction; and two focus on energy – through measurement or reduction. These practices currently relate to “low hanging fruit” (Hart, 1995) or the ability to minimise costs through inexpensive operational changes (Hart and Ahuja, 1996). With the exception of M&S, the adoption of process sustainability practices do not relate to the development of advantage-bearing capabilities.

Boden’s waste management consists of recycling packaging materials. Asos’s waste management consists of a printing initiative to reduce the amount of paper used. These are both fairly immature practices. New Look’s waste management consists of recycling and waste management processes within stores. M&S’ waste management capabilities include recycling, waste measurement and waste reduction. Having audited the types of waste, efforts have been focused on the high impact areas. Water usage has also been measured and initiatives creating savings have since been implemented. Asos’s energy initiative focuses on the use of energy-saving lightbulbs. The organisation have a carbon neutral status and this is connected to the fact that they are an online retailer and therefore do not have bricks and mortar stores. Their approach to this consists of measuring carbon emissions, and offsetting. M&S have considered energy and carbon emissions for a number of years, initially utilising a trading emissions scheme, followed by measuring internal energy usage and then carrying out practices to reduce energy consumption such as the creation of ‘green stores.’ M&S is also certified with the Carbon Trust, suggesting further maturity in relation to capability-building than the other organisations. New Look has carried out an environmental review which will allow them to focus reduction efforts in future – this considered waste, energy, recycling, packaging, and water. This measurement is an initial step in building further capabilities around this area. At a micro level, these practices display heterogeneity which may lead to distinctive capability-building (Mahoney and Pandian, 1992).

The SOSM literature focuses predominantly on industries that have demonstrated a higher level of commitment to environmental practice adoption compared to ethical practice adoption and therefore the process sustainability capabilities are often more mature than within the fashion industry. The literature also focuses on process within the intra-organisational context of manufacturing organisations but the organisations investigated within this research are retailers. Therefore, the process focus is on retail

units, distribution, and offices. However some of the processes can also be carried out internally within those locations such as recycling and improved waste or energy efficiencies. Processes often considered in the literature such as investment recovery (Zhu *et al.*, 2005) and environmental technologies (Vachon and Klassen, 2006) cannot be considered here. The organisations within this study do not have the opportunity to develop these capabilities unless they develop their own manufacturing units or create close partnerships / alliances with suppliers. Importantly, intra-organisational process sustainability practices within the UK fashion industry do not relate to manufacturing since this activity is now outsourced in the organisations studied. This acts as a limiting factor in the development of more mature intra-organisational process sustainability capabilities. However, the data does demonstrate that “firms can meet the current requirements of sustainability performance through initiatives that are focused within their organizational boundary” (Paulraj, 2011, p20). Finally, in line with extant literature, data analysis indicates that ethical considerations are not considered in relation to process sustainability capability development.<sup>39</sup>

### **5.3.2 Intra-organisational capability-building – organisation**

The second main aspect of intra-organisational capability-building is in relation to organisational sustainability capabilities. These are developed through those practices that demonstrate internal commitment to sustainability such as the pursuit of certification, the use of environmental management systems and internal proactive environmental management (Lee and Klassen, 2008). These practices are necessary in order to develop further sustainability capabilities and it has been argued that SOSM should focus on internal operations, before extending the learning into the supply chain (Zhu *et al.*, 2010). Data analysis provides evidence of organisational capability development in all four main cases.

Boden demonstrates this through the establishment of an ethical role, growth of an ethical team and setting up of internal systems to manage ethical information. Asos has established an environmental role, extended a technologist role to manage ethical trade, and created a sustainability role and department. In addition, the organisation

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<sup>39</sup> This may partially be due to the definition of ethical practices utilised within this study where diversity, gender, employment rights of the UK staff of the focal organisation are under the remit of Human Resources and not OSM.



has formalised sustainability as part of its strategy. This suggests their approach to sustainability is broad yet demonstrates a separation of roles towards ethical and environmental dimensions of sustainability. The fact that the ethical role is currently integrated into that of the technologists suggests a lack of maturity, as this is the traditional way that ethical concerns have been managed within this industry. New Look has established a new ethical department (after the old team members left) and more recently created the role of an environmental manager. Another position, that of the head of group communications and social responsibility, has predominantly focused on the communication of sustainability issues for the organisation, as well as some responsibility for internal environmental issues. However, supply chain environmental issues have been managed separately, as have ethical issues.

M&S has established a sustainability team, has a board level CSR framework, and, like Asos, has formalised sustainability as part of their strategy. The company demonstrates further maturity by making all staff accountable for sustainability within their job appraisal. These demonstrate the idea of integrating sustainability concerns directly into the business strategy. A proactive sustainability strategy can help develop unique capabilities and thus competitive advantage (Sharma and Vredenburg, 1998). With M&S' extensive integration of Plan A into its business, it could be considered as having created a sustainable business model for retail. This supports the extant literature suggesting that some organisations may choose to differentiate themselves from competitors by creating a sustainable business model (Stubbs and Cocklin, 2008).

All of the organisations studied carry out training in relation to ethical trade, particularly within the buying function. Asos were about to start ethical training for buyers but already trained technologists in relation to ethical trade. Training "may play an especially important role because it serves as a method to build the organisational capacities and knowledge of all workers who participate in these programs" (Sarkis *et al.*, 2010, p165). It enhances the understanding of employees and may lead to further capability development. Two of the organisations use the same external consultants to carry out their training (Boden and New Look) suggesting that the training may develop normative standards.

New Look has created ethical champions to help integrate ethical concerns into the organisation and M&S has volunteers/ champions in stores and internally to share information. Although Boden is planning to have ethical champions, it had not

implemented this when the data were collected. Policy entrepreneurs or sustainability champions are more effective in promoting social responsibility when they are not directed by top management, though support is necessary (Drumwright, 1994). The champions identified at New Look have relative freedom in how they communicate and promote ethical trade, utilising their knowledge when necessary in communication with suppliers.

Environmental training is less extensive than ethical training within the organisations studied. Boden carries out environmental training relating to the catalogue and M&S carry out energy training. However, these are much narrower types of training than that relating to ethics. Although environmental champions have been created at New Look, these had not been utilised during the period of data collection. Therefore, these capabilities are under-developed. This is an area for organisational improvement since training may develop the organisational capabilities and knowledge of employees (Sarkis *et al.*, 2010).

In order to manage their supplier data, all of the organisations utilise SEDEX. M&S goes further by considering suppliers who are further upstream. This is a method of managing data rather than pursuing further capabilities. Asos take a more strategic approach to the management of environmental practice adoption and are creating an environmental management system with the intention of gaining ISO14001. Such accreditation is seen as an important enabler of reducing an organisation's environmental impact (Shaw *et al.*, 2010).

In summary, the predominant focus of organisational sustainability capability-building within the four main cases is on ethical or sustainability initiatives. All four organisations demonstrate a commitment to capability-development in this area with the creation of a department (ethical or sustainable); ethical training for buyers and other employees; and the use of SEDEX to manage data regarding suppliers. Two of the four organisations have formalised their commitment to sustainability as part of their over-arching strategy suggesting the intention to build capabilities further in this area. M&S' accountability of all staff for their sustainability strategy suggests the next step towards this objective. The environmental dimension of sustainability is less strategic in nature and often dealt with separately to the ethical dimension.

### 5.3.3 Inter-organisational capability-building

Inter-organisational sustainability capability-building focuses on three key areas – direct supply chain capability-building, indirect supply chain capability-building, and external relationships (Lee and Klassen, 2008). This is important since “for sustainability to be durable, companies must “build” beyond their own borders” (Ageron *et al.*, 2011, p2). Direct supply chain capability development typically focuses on governance practices in relation to ethical trade and environmental supply chain management in relation to environmental performance. Indirect supply chain sustainability capability development focuses on efforts to motivate suppliers to be environmentally responsible, reducing the environmental impact of logistics, and utilising sustainability criteria for evaluation of suppliers (Lee and Klassen, 2008). External relationship capability development relates to the view that organisations need to consider their position within the broader environment (Pagell and Wu, 2009) yet it is not commonly considered in the literature since it extends the traditional perspective of operations management to include various external stakeholders. The three key areas of inter-organisational sustainability capability are now discussed in turn.

#### *Direct supply chain capability-building*

Considering firstly, direct supply chain capability-building, data analysis indicates that the predominant focus of the four case organisations is on ethical initiatives. This runs contrary to extant OSM literature where ethical practices are under-explored by comparison with environmental practices (Seuring and Müller, 2008). Direct supply chain ethical initiatives include the use of an ethical code of conduct for suppliers, membership of the ETI and 1<sup>st</sup> tier auditing. This may be due to the fact that the focal organisation can be held accountable for the ethical behaviour (or lack of) of suppliers (Parmigiani *et al.*, 2011). Training can lead to more effective implementation of the standards expressed in the codes of conduct (Preuss, 2009) but only two of the organisations studied carry out training with their first-tier suppliers. These are the larger two organisations who are likely to have more resources available.

Two of the organisations extend their direct supply chain capabilities through the ethical training of suppliers, animal welfare policies, and in-country resources where they have employees located close to their manufacturing sites. Both demonstrate a commitment beyond governance but these differ in terms of maturity. New Look

carries out projects to improve standards at suppliers whereas M&S has also been involved in the creation of ethical factories to share knowledge with other suppliers, as well as the Supplier Exchange, allowing suppliers to further share experiences and learning. Supply chain linkages may be beneficial and help to create competitive advantage through capabilities or resources which are held beyond the boundary of the individual organisation (Lewis *et al.*, 2010).

New Look carries out further practices which affect its direct supply chain capability-building around managing ethical trade including specific contracts with key suppliers, the use of in-country resources and ethical training of suppliers. M&S also carries out ethical training for suppliers, and uses in-country resources. Relational capabilities, as demonstrated through these practices, are focused on incentivising suppliers in relation to sustainability performance and developing ongoing relationships (Parmigiani *et al.*, 2011). Collaboration with suppliers, based on trust, can add to a “cooperative advantage”(Strand, 2009). Furthermore, M&S benchmarks their suppliers in terms of living standards and rank their suppliers in relation to their ethical performance. Their training is more extensive and incorporates the Supplier Exchange for educating suppliers about sustainability and share best practice. Efforts which extend ethical trade further at New Look include a productivity project, the encouragement of worker committees and a supplier-driven ethical initiative. M&S also has a supplier-driven ethical initiative and have gone further by assisting in the creation of ethical factories which serve as examples of best practice.

In relation to environmental practices adopted to build direct supply chain sustainability capabilities, data analysis illustrates a relatively low level of maturity for the organisations studied. New Look has a chemical policy and a supplier-driven environmental initiative whilst M&S extends its practices with water measurement of suppliers, their code of conduct incorporating certain environmental concerns and the creation of green factories. However, there is little evidence of capability-building in this area, contrary to the fact that Vachon and Klassen (2006) find that greater collaboration can aid the performance of environmental practices through innovation or resource management, and in a separate study find it can aid delivery (Klassen and Vachon, 2003). The potential risks of supplier-focused environmental initiatives may need further understanding before organisations will adopt them more widely (Cousins *et al.*, 2004) but the involvement of suppliers in environmental initiatives has been found to improve performance (Testa and Iraldo, 2010).

All of the organisations in this study are attempting to make their distribution more environmentally friendly but their approaches to this vary. M&S is the only organisation demonstrating further capability-building relating to environmental supply chain performance in this area with the development of green factories. Here, M&S has supported suppliers to create model green factories which can be used as best practice for their other suppliers. This may be beneficial since greening suppliers is advantageous for the supplier and the focal firm due to enhancing reputation and reducing costs (Rao, 2005).

Although a significant number of articles explore supplier collaboration, communication, continuity and/or relationships in light of environmental performance, there is little evidence of this within this study. Although collaboration with suppliers can help initiate green supply and its effectiveness (Bala *et al.*, 2008), and also aid the application of innovative environmental technologies (Geffen and Rothenberg, 2000), the majority of practices focus on governance rather than developing these relationships, especially for environmental initiatives. Although “buying firms benefit in many different ways when their suppliers adopt environmental practices” (Tate *et al.*, 2011, p 6), there is still a lack of evidence of environmental supply chain initiatives within this industry.

#### *Indirect supply chain capability-building*

Considering secondly, indirect supply chain capability-building, data analysis indicates that there are very few indirect supply chain sustainability practices within the four main organisations. Asos and New Look currently do not demonstrate practices extending to their indirect supply chain. Boden shows very limited capability-building in this area, by monitoring further upstream in the supply chain in relation to more complex supply chains e.g. where there are more potential risks through subcontracting or homeworking. M&S is beginning to extend environmental considerations upstream through the use of an environmental code of conduct, environmental training through handbooks and water measurement. As such, the study indicates that this area of capability-building remains under-developed. This confirms Paulraj's (2011) statement that sustainability performance requirements may be satisfied internally at present.

There is potential for competitive advantage to be created in how organisations utilise capabilities or resources located within their supply chain (Lewis *et al.*, 2010).

It is also important to consider indirect supply chain opportunities given the impact of all suppliers on the total sustainability of an organisation (Krause *et al.*, 2009). It is still rare for organisations to integrate sustainability concerns into supply chain management (Thun, 2008; de Brito and Van der Laan, 2010; Camisón and Villar López, 2010) and this is apparent given the minimal indirect supply chain sustainability practices demonstrated by the organisations within this study. In summary, whilst indirect capability-building is currently under-developed, it provides potential both in regards to improving sustainability performance, and in terms of competitive differentiation.<sup>40</sup>

### *External relationship capability-building*

Considering thirdly an area often not studied in the OSM literature: external relationship capability-building, data analysis indicates that the predominant focus of the four main cases is on ethical or sustainability initiatives. All four organisations in the main study support charities through donations or fundraising activities. Two organisations provide employees with the opportunity to donate from their wages. M&S is the most mature in relation to its relationships with external stakeholders and demonstrates this through a number of practices: working with stakeholders in relation to different areas of their sustainability strategy, and supporting disadvantaged individuals through work schemes. M&S is also the only organisation to have explicitly marketed its sustainability efforts with its Look Behind the Label campaign of 2006, and the publication of annual CSR reports. As such, it is the most mature in terms of its external relationship capability development. In this way, M&S may be considered an example of best practice in line with Pagell and Wu (2009) who identify the reconceptualisation of partners in the supply chain as a feature of some of the best practice cases within their cross-industry study of sustainability. M&S demonstrates greater maturity than the other three organisations in the main study, in terms of the length of time it has been committed to sustainability, the number of practices they carry out, as well as the fact that these practices consist of a number of micro practices. This demonstrates that M&S is consistently developing its capabilities in order to achieve their aim of becoming the most sustainable retailer by 2015.

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<sup>40</sup> One area which may be problematic in regard to both direct and indirect suppliers is that organisations within this industry change suppliers (at least some of them) fairly often and it might therefore be difficult to create capabilities unless explicit contracts or strategic relationships were forged

### 5.3.4 Summary of capability-building

Although it is more likely that bundles of practices will result in the potential for competitive advantage, rather than individual practices, specific individual practices might in themselves contribute to competitive advantage, as shown in table 19. This potential is largely due to the fact that the practices are uncommon and demonstrate differentiation from competitors. The practise may also exist within bundles of practices resulting in unique capabilities. However, within this industry, such capabilities will often be inter-organisational and therefore will require co-ordination between the focal organisation and their suppliers.

**Table 19. Practices with the potential for competitive advantage**

<b>Firm</b>	<b>Competitive- advantage generating practices</b>	<b>Dependent on</b>
<b>Boden</b>	None	N/A
<b>Asos</b>	Carbon neutral status	Initial capabilities relating to online retail
	EMS, seeking ISO14001	Effective implementation and going beyond ISO14001 expectations
<b>New Look</b>	In-country resources	Development of resources to enhance actual practices. Current focus is ethical but could extend to include environmental
	Productivity project and supplier-driven initiatives	The competitive advantage potential of these practices is dependent on the relationships with suppliers and whether the practices could be extended to other suppliers
<b>M&amp;S</b>	In-country resources	Development of resources to enhance actual practices.
	Ethical and green factories	The competitive advantage potential of these practices is dependent on the relationships with suppliers and whether the practices could be extended to other suppliers.
	Supplier Exchange	Extensive or mandatory use of this knowledge-sharing platform to allow dissemination of best practices between suppliers
	Practices relating to indirect supply chain	The nature of the practices and how widely spread they are
	Work with external stakeholders	The nature of the practices and how effectively knowledge is used to improve them

Data analysis provides interesting insights into the sustainable practices adopted by organisations looking to build both intra- and inter-firm capabilities. For intra-firm capability development, data provide evidence that product and process initiatives focus predominantly on the environmental aspects of sustainability. Whilst organisations broadly look to develop capabilities through improved waste management, greening of packaging, and the creation of more environmentally friendly products, the specific approaches of each organisation are relatively differentiated. This may be attributed to the existence of fewer institutional pressures than in relation to ethical practices. Conversely, the predominant focus of organisational sustainability capability-building is on ethical initiatives. All four organisations demonstrate capability-development in this area through the creation of ethical roles and/or departments, ethical training for buyers and other employees, the use of SEDEX to manage supplier data, and in two cases, the formalisation of sustainability within business strategies. Considering inter-organisational sustainability capability-building, data analysis indicates that in developing direct supply chain and external relationship capabilities, the four organisations in the main study focus largely on ethical initiatives. This is likely to be because of the labour-intensive nature of the industry. In addition, it is evident that there is very little attention given to the development of indirect supply chain sustainability capabilities, which may reflect the maturity of SOSM practices within the industry. The areas where there are most opportunities for organisations to achieve competitive advantage relate to inter-organisational capabilities, especially indirect supply chain capability-building. This is largely due to the fact that this area of capability development is under-utilised.

#### **5.4 How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?**

There is an opportunity to jointly apply institutional theory and resource-based theory to operations and supply management research “in order to build an understanding of why certain operations strategies [...] can bring long-term competitive advantage to supply chains and how firms seek balance between best practices and their own unique operational characteristics” (Zhang and Dhaliwal, 2009, p254). Since currently, “it is unclear how external and internal factors interactively promote [SOSM] practices”

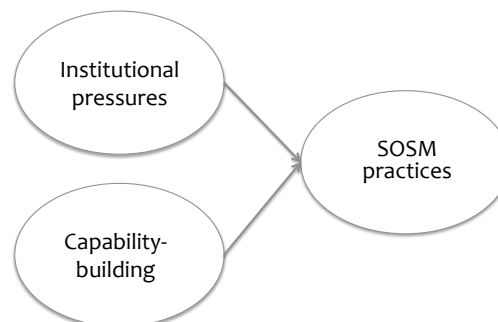


(Sarkis *et al.*, 2011, p4), it is important to utilise these theories in order to understand the extent to which their arguments complement one another in order to explain patterns of adoption. Based on the analysis of data from the main study organisations, it is evident that broadly there is a separation of approach with regards to ethical and environmental dimensions of sustainability. Ethical practice adoption appears to be largely driven by institutional pressures, whilst environmental practices are more likely to be adopted for capability-building purposes. However, data analysis also demonstrates an interaction between exogenous and endogenous forces in motivating and continuing pressure for the adoption of SOSM practices within the UK fashion industry. The different interactions are explored below.

#### 5.4.1 Simultaneous pressures

Based on the data collected in this study, there is evidence that the adoption of a number of SOSM practices occur due to the simultaneous influences of institutional pressure and capability-building as shown in figure 21. This interaction is likely to occur when looking at broad approaches to practices with the decision to incorporate sustainability concerns within a business emerging from a combination of exogenous and endogenous pressures. This interaction is also likely to occur in relation to environmental practices for which low level institutional pressures emerge alongside the decision to develop capabilities in order to create cost savings. Where greater institutional pressures are exerted, such as in relation to ethical practices, this interaction is less likely to occur since the institutional pressures will dominate decision-making.

**Figure 21 Simultaneous pressures on SOSM practice adoption**



Two examples of this interaction are explored below: intra-organisational CSR adoption and greener packaging for online retailers.

- Institutional coercive pressures and organisational capability-building occur simultaneously in two of the four cases in relation to intra-organisational CSR adoption. For Asos, broad level adoption of CSR practices in 2009 was influenced by both coercive institutional pressures, in the shape of cultural expectations, and by a desire to build capabilities within this area. A combination of the two drivers helps to explain the broad approach taken by the organisation. These encompass practices adopted by other organisations, for example ethical practices such as membership of the ETI, and the formalisation of a department, in addition to the adoption of more diverse practices such as becoming carbon neutral and the intention to become ISO 14001 certified. Similarly, M&S' initial publication of CSR reports in 2003/4 outlining its CSR practices may be attributed to the same combination of pressures. The formalisation of Plan A in 2007 is a further extension of this where the intention to improve sustainability performance (capability-building) is combined with the intention to appear sustainable to stakeholders (institutional pressures).
- Internal process capability-building, in this case relating to consumer-facing packaging, combined with institutional coercive pressure drives online retail organisations to make their packaging more environmentally friendly. The development of these capabilities and the subsequent environmental improvement of the packaging has been limited due to the availability and cost of resources. Until recently "*it was pretty expensive to use any sort of recycled materials*" (B4). If regulatory coercive pressures emerge, it is likely that improvements in this area will be more rapid.

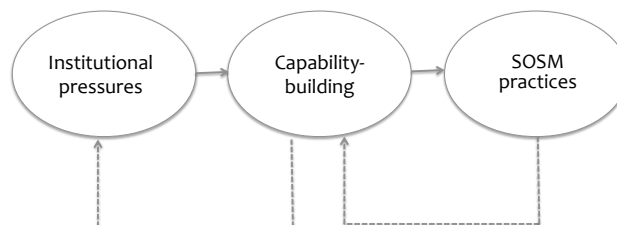
Institutional pressures and capability-building may complement one another, as in Darnall *et al.* (2008b) who investigate GSCM adoption for EMS adopters. Endogenous and exogenous pressures can exist simultaneously (Nair and Prajogo, 2009) but they might affect performance differently. According to Nair and Prajogo

(2009), capability-building is likely to drive performance more than the existence of institutional pressures. This may be due to the fact that institutional pressures work at an industry-level whilst capability-building is focused on the individual organisation.

#### 5.4.2 Institutional pressures leading to capability-building leading to SOSM practice adoption

There is evidence that the adoption of a number of SOSM practices occur when initial institutional pressures lead to internal capability-building which influences the specific practices adopted. These additional practices help to develop capabilities further and superior capability-building may ultimately lead to increased institutional pressures since this might lead to the development of mimetic pressures in the form of imitation of perceived successful behaviour (mimetic pressures) or standardisation of practices within the industry (normative pressures). Given the higher levels of institutional pressures, it is likely that this interaction will occur more for ethical than for environmental practices.

Figure 22 Institutional pressures leading to capability-building leading to SOSM practice adoption



Two examples of this interaction are explored below: membership of ETI and intra-organisational ethical training.

- Coercive institutional pressures, in the form of cultural expectations, motivate organisations to build capabilities around the governance of suppliers' ethical practices. This capability-building is focused around internal organisational capabilities and inter-organisational capabilities, specifically in relation to first-tier suppliers. Such capability development leads organisations to adopt practices such as membership of the ETI, use of codes of conduct, and auditing and monitoring. All four organisations studied adopt these practices. It is

proposed that these institutional pressures will have a diminishing effect on capability-building. This is due to a lack of supply chain-focused institutional pressures and to capability barriers such as a lack of further resources, investment and knowledge. To mature further, it is postulated that additional coercive or mimetic pressures would be necessary to extend practices further upstream. In addition, practice extension might require the development of capabilities relating to knowledge, commitment, relationships and trust, for example, in order to engage with tier-2, 3 or 4 suppliers.

- Coercive institutional pressures, in the form of cultural expectations, motivate organisations to build capabilities around understanding ethical trade issues. This capability-building is focused on internal organisational capabilities which develop employees' understanding and knowledge. This leads to the adoption of ethical training initiatives. These are often focused on the buyers but may also extend across the whole organisation. All of the organisations carry out internal ethical training and although a broad range of employees are included in this, the focus tends to be on buying, merchandising and design staff. Two of the organisations utilise the same external consultancy in order to carry out their ethical training and this could help develop normative behaviour within the industry. Although training could drive normative pressures within the industry, organisations could also choose to pursue more performance-based practices. This is the case for M&S, for example, where the creation of ethical factories can be used as models of best practice for other suppliers.

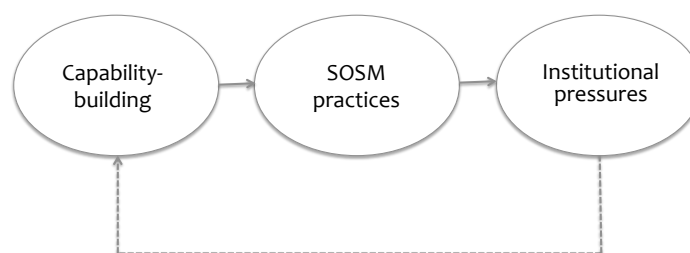
Due to pressures affecting the entire industry, the majority of ethical practices tend to focus on governance. These pressures lead to similar capabilities for the four organisations with an emphasis on managing suppliers through the use of a code of conduct, auditing and monitoring of suppliers, the use of SEDDEX to manage supplier data, membership of the ETI and ethical training of internal employees. This leads to capability-building related to organisational sustainability and direct supply chain sustainability. However, the nature of these practices suggests that organisations are less concerned with internal efficiencies or improvements (Martínez-Costa *et al.*, 2008), nor definitive improvements in supplier ethical performance. This is despite the fact that internal pressures are more likely to lead to improvements in performance

(Darnall *et al.*, 2008a; Martínez-Costa *et al.*, 2008; Nair and Prajogo, 2009). These governance capabilities may be regarded as increasingly normative within the industry, as demonstrated by the homogeneity of the organisations' approaches. The focus is on first-tier suppliers and ethical practices tend not to be established further upstream in the supply chain (2<sup>nd</sup> or 3<sup>rd</sup> tier suppliers, for example). This can partially be explained by the institutional forces at play, but also by resource availability, where significant financial and human capital may be required to diffuse practices further across a supply network.

#### 5.4.3 Capability-building leading to SOSM practice adoption leading to institutional pressures

There is evidence that capability-building leads to the adoption of specific SOSM practices which may then lead to the emergence of institutional pressures shown in figure 23. This interaction is likely to relate to either environmental practices since their adoption is typically driven by firm-level capability-building rather than institutional pressures; or to ethical practices related specifically to mature capabilities within the supply chain, since the nature of the capabilities may drive further institutional pressures for practice extension upstream in the supply chain. However, currently, these institutional pressures are weak or non-existent.

**Figure 23 Capability-building leading to SOSM practice adoption leading to institutional pressures**



Three examples of this interaction are explored below: in-country resources, greener packaging for bricks and mortar retailers, and supplier ethical training.

- Organisational capability-building, relating to knowledge, and inter-organisational capability-building, relating to governance of suppliers' ethical practices, leads to the development of in-country resources. This is where the

organisation has employees in the country or region of production who can provide training or assistance where necessary, as well as carry out audits or site visits where problems arise. These in-country resources allow the opportunity to “*build the relationship with the suppliers*” (N3) to improve control over supply. Such practices may lead to increased coercive pressures which would drive further organisational investment of time, money and manpower to further develop this form of capability. However, the development of such resources is limited by physical capabilities (in this case, financial), as well as human capabilities in terms of how best to carry out the practice. Only the two larger organisations studied within the main study carry out the adoption of in-country resources and this is likely to be due to the significant resource investment required. Knowledge is an important capability (Hult *et al.*, 2006; Sarkis *et al.*, 2010) which needs to be developed through intra-organisational practices before being extended into the supply chain. It is a practice which goes beyond the expected norms relating to monitoring of suppliers, but also allows the potential to develop those relationships further through knowledge-sharing.

- Internal process capability-building drives bricks and mortar retail organisations to make their packaging more environmentally friendly. Typically, this occurs by changing the materials used to create the packaging. For example, New Look has carried out a packaging initiative for footwear that reduces the materials utilised. The motivation for this can be attributed to internal cost savings: “*because it’s probably going to save us four million pounds a year*” (N1). Such practices may drive institutional pressures if the environmental benefit is considered to be significant which may then give rise to increased pressure on further capability-building.
- Organisations may pursue more advanced capability-building through supplier training on ethical issues. Both New Look and M&S carry out some degree of supplier training in this area. This inter-organisational capability-building may encourage the adoption of practices relating to increasing suppliers’ knowledge of ethical standards, for example through training, the use of Supplier

Exchange (M&S' web-based method for suppliers to share information) and the use of ethical best-practice factories (M&S). Whilst limited knowledge can be a barrier, a firm could decide to pursue competitive advantage through supplier training or more advanced internal training in order to alter "attitudes and behaviour" (Sarkis *et al.*, 2010). These practices may ultimately drive institutional pressures if they were to become normative.

Intra-organisational ethical capability development drives ethical practices such as the creation of ethical model factories (M&S); productivity projects (New Look); the development of in-country resources (M&S, New Look); and supplier ethical training (M&S, New Look) which are likely to ultimately create normative and/or mimetic institutional pressures. The lack of current institutional pressures for these types of practices makes this possible. Capability-building also drives practices which extend beyond normative industry standards, for example in the case of inter-organisational ethical practices such as those outlined above. One approach to developing more complex capabilities is by working more closely with suppliers in a supportive relationship in order to develop unique knowledge and systems. "The underlying logic is that it would be easy to pursue SSM practices if a firm has already established long-term collaborative relationships characterized by strong interorganizational interactions" (Paulraj, 2011, p20). However, a barrier to organisations wishing to create such capabilities with their suppliers is the fact that many retailers within the fashion industry share suppliers or have largely short-term, transaction-based relationships with them. Organisations within this industry would have to focus on developing capabilities with strategic suppliers with whom they have longer-term or formal contracts. Three of the organisations within this research explicitly spoke about having a solid supply base. This relates to the issue of "whether knowledge flowing across the firm's boundary can be held as proprietary knowledge or whether knowledge diffusion makes advantage hard to maintain." (Lewis *et al.*, 2010, p1036). Organisations investigated in the empirical research tend to focus on this area across dyadic relationships with 1<sup>st</sup> tier suppliers. These capabilities could potentially be extended further upstream into the supply chain. Once the focal firm's knowledge is ingrained and relationships with first-tier suppliers are well-established, these skills could be utilised in order to address second or third tier suppliers. The processes and organisational knowledge would remain the same but the resources required are likely

to be greater. Therefore, a barrier to the governance of other suppliers is more likely to be related to financial resources compared to human or organisational capabilities. The focal firm must also consider what benefits may accrue from monitoring further upstream – since the returns may not be significant enough, or indeed shared with the focal firm at all. If greater mimetic or coercive forces emerge around this area, then organisations are likely to pursue these practices, in terms of protection and risk avoidance.

Capability-building for environmental practices also occurs due to the predominant absence of institutional pressures. Organisations behave more heterogeneously in responding to internal pressures which are more likely to lead to improvements in performance than institutional pressures (Martínez-Costa *et al.*, 2008; Nair and Prajogo, 2009). The existence of fewer institutional pressures relating to environmental initiatives might be beneficial for organisations seeking to differentiate themselves from their competitors. As organisations increase their environmental capabilities, there might be less influence created by institutional pressures (Clemens and Douglas, 2006). Therefore, there is more diversity in the nature of environmental capability-building although the areas focused on remain similar such as making packaging more environmentally friendly, and considering energy usage and waste management. At a micro level, these practices are varied, for example demonstrated through approaches to energy efficiency and reducing the environmental impact of distribution. Substantive improvement in relation to environmental performance will require broader institutional forces. This could come in the form of regulation or greater stakeholder pressure but would encourage firms to pursue an environmental agenda. Equally, if firms begin to carry out broader environmental practices in a context of regulatory uncertainty this is likely to result in the creation of mimetic forces. An environmental equivalent of the ETI, whilst helping to drive this agenda forwards, would also remove some of the opportunity for competitive advantage and may encourage satisficing behaviour.

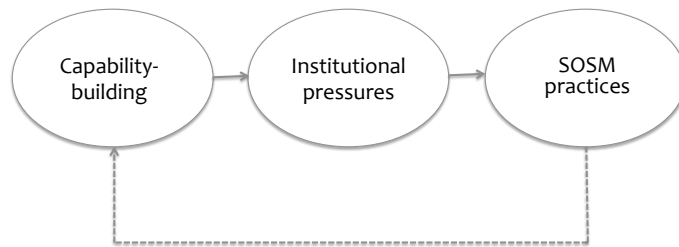
#### **5.4.4 Capability-building leading to institutional pressures leading to SOSM practice adoption**

There is also evidence that the adoption of a number of SOSM practices occur where capability-building and successful performance drive institutional pressures which



contribute to the adoption and development of specific practices. This suggests firm-level pressures driving industry standards. This interaction occurs in relation to environmental practices since there are fewer institutional pressures in existence initially.

Figure 24 Capability-building leading to institutional pressures leading to SOSM practice adoption



One example of this interaction is explored below: Carbon Reduction.

- Within Asos, there is evidence that the organisation perceives itself to possess intra-organisational capabilities relating to carbon emissions partly due to the fact that it is an online retailer and therefore has no retail stores: *“something like this carbon thing, it’s reasonably achievable” (A1)*. This leads to perceived institutional pressures around the reduction of carbon emissions which drives the organisation to pursue ISO 14001 certification as well as Carbon Neutral status.

Generally, environmental practices in the fashion organisations studied focus on internal processes relating to measurement and reduction of environmental impact. This internal capability-building is because “firms can meet the current requirements of sustainability performance through initiatives that are focused within their organizational boundary” (Paulraj, 2011, p20). This focus can largely be explained by the existence of fewer institutional pressures than those relating to ethical practices although such pressures are likely to develop over time through regulation, for example, due to the political environmental agenda caused by the Stern Review and other recent reports. The lack of institutional pressures could be due to the level of maturity in the industry in relation to environmental practices – the fact that these practices are at a formative stage means that the institutional pressures are not strong determinant factors of the practices carried out by the studied organisations. As

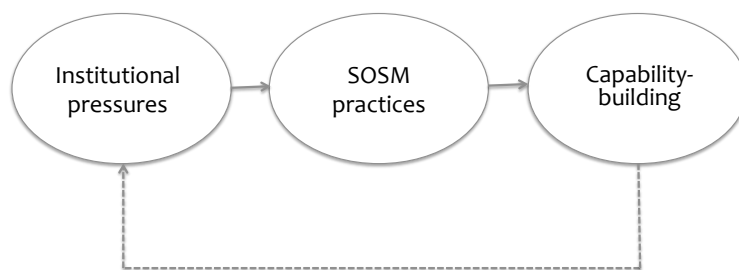
environmental capability-building develops, it is likely that institutional pressures will increase. For example, coercive pressures in the form of environmental regulation; or further mimetic pressures where a firm is perceived as achieving benefits from environmental performance. M&S's declaration that it has saved £50 million through Plan A initiatives could encourage other organisations to adopt more environmental initiatives. Limited institutional pressures mean that firms have developed different, less cohesive strategies and therefore these strategies have generally been emergent rather than deliberate (Mintzberg and Waters, 1985).

The internal focus of environmental initiatives within the four organisations, and the lack of widespread environmental training - only one organisation demonstrates a broad approach to environmental training (M&S), Boden only trains staff regarding the catalogue, and the other organisations do not carry out environmental training – suggests a lack of maturity in relation to environmental practice adoption. These are influenced by internal capability-building but the knowledge that firms have acquired around reduction does not appear to be well utilised in the supply chain. Without more extensive coercive pressures, retailers are not imposing standards on their suppliers and therefore environmental performance is not treated as a critical determinant to supplier selection. One key barrier here is the cost to suppliers of investing in green technology. Although small improvements and efficiencies can be found through low-hanging fruit (Hart, 1995), longer-term investments could be difficult for suppliers, regardless of the possible benefits. Although environmental practices are less mature than ethical ones and less likely to be applied across the supply chain, inter-organisational practices could be a way for organisations to create competitive advantage, especially in consideration of the relational view (Dyer and Singh, 1998). Due to the lack of normative pressures, organisations can be more innovative and therefore capabilities are more likely to be developed which are valuable, rare, inimitable and non-substitutable. Firms could learn from other industries and utilise their knowledge in terms of sharing knowledge or capabilities with suppliers. This is important because “inter-firm resources and capabilities can be regarded as socially complex, causally ambiguous and historically grown and thus may be considered to be especially protected from imitation by competitors. Accordingly, valuable and rare resources and capabilities emerging from supply-chain wide collaboration are prone to become sources of sustained inter-firm competitive advantage” (Gold *et al.*, 2009, p239).

#### 5.4.5 Institutional pressures leading to SOSM practice adoption leading to capability-building

There is evidence that institutional pressures lead to the adoption of specific SOSM practices which may then lead to the development of broader capability-building efforts as shown in figure 25. This interaction is less likely due to the lack of regulation in the industry. If this interaction occurs, it is likely to be related to regulatory coercive pressures because this enforces practices and organisations may then recognise the potential to develop further capabilities.

Figure 25 Institutional pressures leading to SOSM practice adoption leading to capability-building



One example of this interaction is explored below: carbon reduction.

- Regulatory coercive pressures in the form of the Carbon Reduction Commitment, which means that organisations over a certain size must report their carbon emissions, drives organisations (such as M&S and New Look) to carry out the practice of measuring their carbon emissions. This drives further intra-organisational process capability-building since these organisations may then work to reduce these emissions. Not only does this have the potential to fulfil institutional obligations, it also presents the opportunity to benefit from costs savings through increased energy efficiencies.

Where there is specific pressure for certain practices, such as that mentioned above, institutional pressures may directly cause organisations to act, especially where organisations may not have considered the benefits of developing SOSM capabilities or have limited resources to utilise. A lack of existing capabilities could act as a barrier to practice adoption (Menguc *et al.*, 2010) but practices in themselves may also

determine capability-building. This may allow organisations to differentiate from other organisations if they extend their capability-development beyond what is considered normative behaviour.

#### 5.4.6 Summary of interactions

Data analysis provides evidence of five key interactions. However, these interactions can also be seen as cyclic as the starting point largely depends on (1) the sustainability maturity of the industry as a whole, (2) the maturity of different SOSM practices, and (3) the sustainability maturity of different actors in the industry – especially the industry leader in SOSM. Where practices are relatively immature, institutional pressures are less likely to influence behaviour. However, as certain practices reach a critical mass, institutional pressures tend to emerge. Alternatively, organisations that see sustainability as a key part of their overall strategy (in this case M&S) typically don't rely on institutional pressures to determine practice adoption, but are more influenced by capability-development efforts. Such practices eventually form institutional pressures – if they are seen to be the standard (normative), if they are seen as giving advantage (mimetic), or if they are used to define regulation (coercive). It is interesting to observe the multiple interactions for different aspects of SOSM adoption in the UK fashion industry. Whilst broadly, ethical practices are more likely to be motivated by institutional pressures, leading to governance capabilities; and environmental practices are more likely to be motivated by capability-building due to an absence of institutional pressures, this is not always the case. Institutional pressures, capability development and SOSM practices may interact in a variety of ways. This suggests a more complex relationship between endogenous (capability-building) and exogenous (institutional) pressures in influencing SOSM practice adoption, and how what might initially have seemed like the outcome of pressures – the SOSM practices – can in fact act as a driver of both endogenous and exogenous pressures. Having initially considered that institutional pressure or capability-building were the factors influencing different SOSM practices, it is evident that a more complicated picture emerges of SOSM practice adoption where variables, including that of SOSM practices itself, interact and the dominance of the two main drivers is likely to change over time.

## Chapter 6. Conclusions

### 6.1 Introduction

This research begins to disentangle the concepts of ethical and environmental dimensions of sustainability in terms of what motivates organisations to adopt sustainability practices as well as the nature of such practices. The use of organisational theories remains relatively limited in the context of operations and supply management, and particularly in the context of sustainable OSM. This study uses institutional theory and resource-based theory in order to understand how exogenous pressures and endogenous capability-building affect the adoption of sustainability practices. This study has identified that environmental and ethical practice adoption is approached differently within the fashion industry, motivated by diverse factors and operationalised differently. Labour-intensive industries, such as the fashion industry, are less commonly represented in the sustainable supply chain management literature than capital-intensive industries such as the packaging industry (Vachon and Klassen, 2006), the furniture industry (Handfield *et al.*, 1997) and the automotive industry (Zhu *et al.*, 2007) and this study seeks to address this through the context of fashion retail. Sustainability is a germane issue for academics and practitioners alike (Seuring and Müller, 2008) but also specifically within this industry where normative pressures are still developing and limited regulation means there are a diverse range of behaviours across organisations.

This chapter draws conclusions from the study around the influence of institutional pressures, capability-development, and the interaction between these two areas. Section 6.2 discusses the findings relating to coercive, mimetic and normative pressures. Section 6.3 discusses the findings in relation to intra- and inter-organisational capability-building drivers of practice adoption. Section 6.4 concludes around the interaction between these two elements of influence. Sections 6.5 and 6.6 present the academic and managerial implications of the study, respectively. Section 6.7 details the limitations of this study and section 6.8 outlines areas for future research building on this work.

## 6.2 How do coercive, mimetic and normative forces influence SOSM practice adoption?

Of the three types of institutional pressures (coercive, mimetic and normative), coercive pressures are found to be the dominant form of influence on the adoption of sustainability practices in the four organisations considered within this study. Most noticeably, this is seen through the proxy of leadership commitment which is seen as an indicator of broader cultural pressures (Park-Poaps, 2010; Vallentin, 2009). The patterns of practices adopted demonstrate that coercive pressures are most apparent in driving adoption of ethical practices. For example all organisations studied adopt similar practices such as the use of codes of conduct, and auditing and monitoring of suppliers. The ethical practices observed focus on governance rather than on performance or improved efficiencies. Individual projects focusing on improvement are rarer, being apparent in only two of the organisations. Despite the fact that regulation is the most common driver of SOSM practice adoption within the literature, this is not the case for ethical practices within the fashion industry. Contrary to previous studies, there is also only limited evidence of regulatory pressures observed in relation to environmental practice adoption. Since ethical standards are governed by the labour standards of the country of manufacture, rather than standards relating to the retail organisations' location, there does not appear to be a strong drive toward legislation requiring the implementation of certain ethical practices. Rather than regulation, it is cultural expectations that largely motivate fashion retailers to engage with ethical trade through practices such as the formalisation of ethical or sustainability departments and the monitoring of suppliers. Unlike studies of green supply chain management which focus on more heavily regulated industries such as oil and gas, or paper, regulation is not a key driver in relation to these practices within the fashion industry. The labour intensive nature of the industry goes some way to explaining why institutional pressures are more heavily focused on ethical rather than environmental practice adoption. The lack of consumer understanding of sustainable fashion also explains this focus since consumers have been led to become more concerned about labour standards through media reports and exposés whilst the environmental dimension of sustainability is rarely reported on.

Although mimetic pressures are seen to influence practice adoption in three of the four organisations considered within this study, they tend to be less explicit, with

organisations desiring to reach the standard of, or exceed the standard of competitors, but without explaining how they will do this. Assertions about imitating competitors often confirm the organisations' commitment to a sustainability agenda but do not relate to specific practices nor capabilities. This is because the organisations can only compare external performance rather than the intricacies of actual practice implementation. In contrast with the other two organisations that report mimetic pressures, M&S seeks to create mimetic pressures by becoming the benchmark by which they would like other fashion retailers to compare themselves. M&S is more mature in terms of its sustainability performance, as evidenced by the number and breadth of practices established. The existence of CSR reports within this industry, created and made publicly available by organisations such as M&S may help to explain how organisations approach sustainability at a broad level but without providing an account of how this is operationalised in practice. These reports are largely for stakeholders and therefore provide performance-based information. Mimetic pressures have also been identified as influences when practices are complex or difficult to use. As such, they are less evident in the four cases examined, where the innovations are relatively simple (Liu *et al.*, 2010a). Currently, CSR practices appear to be relatively straight-forward to adopt within this industry but this may change with increased maturity and innovative approaches.

Normative pressures are the least apparent within the organisations studied since sustainability practices are still not embedded within the industry. However, the existence of the ETI and the organisations' membership to it coupled with the industry's adoption of the code of conduct exemplifies a normative influence. This reflects a governance practice whereby the organisations agree to meet certain labour standards. To date, there is no similar body which relates to environmental practices within the industry and normative pressures for environmental practice adoption are not identified within this study. The lack of evidence of normative practices is not unexpected due to the level of maturity of sustainability practices within the industry. In addition, whilst environmental issues are not fully integrated in supply chain management at an educational level (Preuss, 2002), there will remain an absence of these pressures.

The institutional theory literature stresses that although the three pressures are theoretically distinct, they can be difficult to disentangle empirically (Gopal and Gao, 2009; Braunscheidel, 2011). Whilst studies have identified drivers or enablers of

SOSM (e.g. Walker and Jones, 2012), these have tended to focus on the broader range of coercive pressures, or not delineated the differences between coercive, mimetic and normative pressures (e.g. Prajogo, 2011). Coercive pressures are more widely addressed within the literature since they are not specific to institutional theory. The existence of regulation, stakeholders, societal, and customer pressure are frequently addressed as drivers of SOSM practice adoption without the use of a theoretical lens (e.g. Walker and Jones, 2012). Therefore, this contributes to the fact that there is more evidence of this type of pressure than mimetic or normative influences on practice adoption. It is apparent that coercive pressures, which cover a broader range of types of exogenous pressures, are predominant within this industry and that the pressures differ for environmental and ethical practice adoption. The labour-intensive nature of the industry is one explanation for the emphasis on ethical practices, often regarding labour standards. There is pressure for organisations to govern their suppliers more ethically whereas environmental practices often relate to improved efficiencies suggesting a more internally driven focus. Ethical practices appear more homogenous than environmental practices and this can be explained by institutional isomorphism whereas environmental practices appear to be operationalised in a more heterogenous manner and therefore require further and different explanation.

### **6.3 How does internal and boundary-spanning capability-building influence SOSM practice adoption?**

A capability-perspective of resource-based theory (RBT) is used in order to understand intra-organisational and inter-organisational capability development in relation to sustainability within the fashion industry since this helps to explain what influences the adoption of these practices.

Intra-organisational sustainability management capability-building is divided into two areas: product and process capability-building, and organisational capability-building. Product and process sustainability management capability-building relate to the use of sustainable materials within the product and to environmentally responsible packaging as well as to improving the sustainability of internal operations such as within stores, offices and warehouses. Due to the retail context of this study, process capability-building is not as extensive as within other industries, nor are they production-focused unlike other industries. This is due to the fact that suppliers



typically carry out manufacturing within the fashion industry. Compared to other industries, these capabilities are relatively immature since sustainability considerations are not taken into account at the design stage of product development. M&S is the only organisation studied using innovative materials within their products. Internal process capability-building is also relatively immature and focused on environmental practices such as recycling. For product and process capability-building, the focus is on environmental practices because the organisations may satisfy requirements internally (Paulraj, 2011) and this allows internal cost savings. Ethical considerations within these capabilities are rare and this may be due to the fact that ethical considerations tend to focus on suppliers' conditions rather than those of the focal organisation.

Organisational sustainability management capability-building is more extensive and focuses predominantly on the ethical dimension of sustainability or the CSR dimension where the organisations all demonstrate commitment through specific employees/ departments and training. Two of the organisations have established explicit CSR/ sustainability teams which suggests the intention to develop further capabilities within this area. The environmental dimension of sustainability is less strategically managed, as evidenced by the fact that Boden has no environmental manager, Asos had only just introduced one at the point of data collection, and New Look appointed one during data collection but responsibilities for internal environmental initiatives and supply chain environmental initiatives were managed separately with the environmental manager given responsibility of internal operations only. By focusing on internal capabilities first, organisations may build the knowledge they need to manage sustainability within the supply chain (Zhu *et al.*, 2010).

Inter-organisational sustainability management capability-building is concentrated on the conventional and extended supply chain. Direct (first-tier) supply chain sustainability management capability-building is focused on the ethical dimension of sustainability with an emphasis on the governance of suppliers through the use of codes of conduct, membership of the ETI and auditing. Two of the organisations studied demonstrate more developed capabilities through the ethical training of suppliers and the use of in-country resources suggesting a commitment to advancing capabilities. M&S evidence more mature capabilities through their use of best practice (ethical model factories and Supplier Exchange for suppliers to share information). Environmental capabilities are not well developed although M&S is the exception here

with some environmental governance practices and best practices (green model factories and Supplier Exchange). This ethical focus is due to the importance of organisations monitoring suppliers since they may be held morally accountable for their actions although they are not legally accountable (Parmigiani *et al.*, 2011).

Indirect (beyond 1<sup>st</sup>-tier) supply chain sustainability management capability-building is not common within the organisations considered within this study. Two of the organisations demonstrate no practice adoption extending to indirect suppliers and a third only governs indirect supply chains where they relate to specific, complex products. Only M&S is beginning to extend its considerations further upstream into the supply chain and this relates to some of their environmental practices. This can be explained by the relative immaturity of sustainability practices in the industry and the fact that capability development is still occurring at an intra-organisational and direct supply chain level.

External relationship sustainability management capability-building is present in all of the organisations considered within this study but tend to relate to practices such as fund-raising or charity donations. This capability is reputational and helps to build customer support. However, M&S demonstrates more strategic partnerships and the publication of their CSR reports means they are more developed in communicating with their stakeholders. This suggests a more mature capability and the fact that these partnerships may develop operational benefits over time.

The data demonstrate a separation of approaches to ethical and environmental dimensions of sustainability. At a broad level, intra-organisational capability-building is focused on environmental issues whereas inter-organisational capability-building is focused on ethical issues. Ethical issues, by their very nature, require organisational capabilities and supply chain capabilities in order to enable the effective governance of suppliers. However, these practices have largely been influenced by institutional pressures. Environmental capability-building is still being developed hence the internal focus where organisations can benefit through increased efficiencies. This suggests that capability-building efforts rather than institutional pressures influence the adoption of these practices. There is potential for organisations to differentiate from their competitors and increase their efficiencies by extending environmental practices into their supply chain but this will depend on the nature of their relationships with suppliers in an industry known for changing suppliers in order to minimise costs.

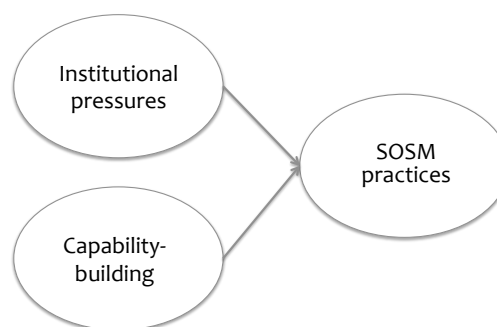
#### 6.4 How do institutional pressures and capability-building complement or substitute one another in influencing SOSM practice adoption?

Utilising the complementary theories of institutional theory and resource-based theory allows the researcher to explore the interactions between external pressures and internal capability development (Zhang and Dhaliwal, 2009). There is interplay between institutional pressures and capability-building in relation to the way they influence the adoption and development of SOSM practices. However, the nature of this will vary and five interactions have been identified in this study.

##### *Simultaneous pressures*

The simultaneous influence of institutional pressure and capability-building may determine SOSM practice adoption. However, for this interaction to occur, institutional pressures will need to be limited since otherwise they might dominate which practices are adopted. Therefore, this interaction may affect approaches to strategy, such as the adoption of CSR by Asos and M&S, or environmental practices where consumer expectations emerge alongside a decision to reduce costs through environmental efficiencies, such as through the practice of making packaging more environmentally responsible at Asos and Boden. Due to the considerable institutional pressures influencing the adoption of ethical practices, this form of interaction is unlikely to be applicable in respect to these.

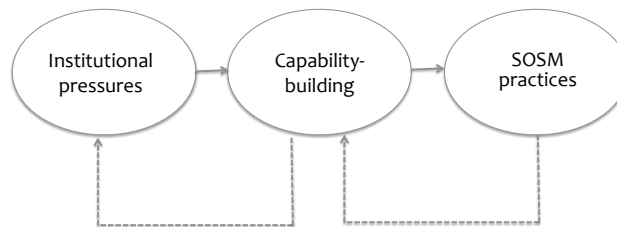
**Figure 26 Simultaneous pressures on SOSM practice adoption**



### *Institutional pressures leading to capability-building leading to SOSM practice adoption*

Institutional pressures can lead to internal capability-building which influences the nature of SOSM practices adopted. These practices may then contribute to further capability-building which in turn can influence the emergence of further institutional pressures. Given the higher levels of institutional pressures, it is more likely that this interaction will occur for ethical rather than for environmental practices. Due to the nature of these institutional pressures, practices affected by this interaction are likely to relate to the governance of suppliers, through practices such as internal training, the use of codes of conduct and membership of the ETI.

**Figure 27 Institutional pressures leading to capability-building, leading to SOSM practice adoption**

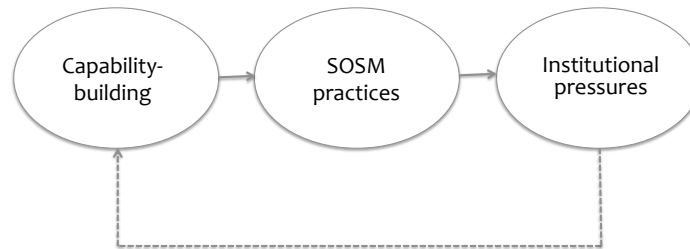


### *Capability-building leading to SOSM practice adoption leading to institutional pressures*

Capability-building may lead to the adoption of specific SOSM practice adoption which may then influence the emergence of institutional pressure. Firstly, this interaction is likely to relate to environmental practices since they are more likely to be driven by firm-level capability-building than by institutional pressures, such as in the case of environmentally responsible packaging for New Look and M&S. Secondly, it is likely to emerge for ethical practices which relate to mature capabilities within the supply chain since the nature of the capability-building may drive further institutional pressures which influence capability-building extension upstream in the supply chain. Examples of this are in-country resources (where organisations have employees in the country of manufacture to monitor or assist suppliers) as seen at New Look and M&S, or ethical factories (where these act as models for other suppliers), as seen at M&S. At present, there are very limited institutional pressures for these types of practices yet organisations have adopted them as part of their capability-building efforts. If such

practices are seen to be beneficial, they will lead to the emergence of institutional pressures over time.

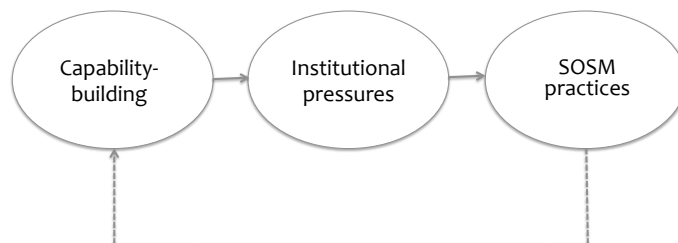
**Figure 28** Capability-building leading to SOSM practice adoption, leading to institutional pressures



***Capability-building leading to institutional pressures leading to SOSM practice adoption***

Capability-building and successful performance may drive institutional pressures, which in turn contribute to the adoption and development of specific SOSM practices. Where this interaction occurs, it is in relation to environmental practices since there are fewer institutional pressures in existence initially. For examples, Asos's decision to become carbon neutral was affected by an initial perceived capability, and then a recognition of cultural expectations. However, this interaction is only likely to exist at a firm-level since otherwise the institutional pressures would dominate. In addition, this type of interaction is less observed since capability-building does not always lead to the emergence of institutional pressures.

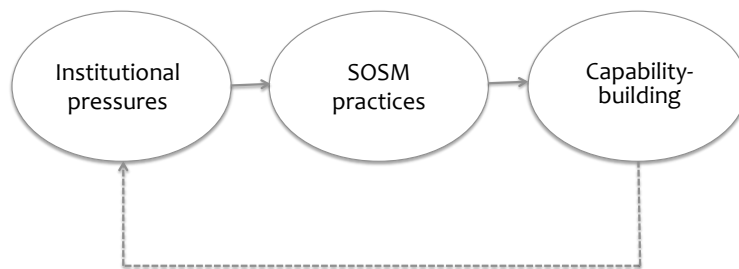
**Figure 29** Capability-building leading to institutional pressures, leading to SOSM practice adoption



### *Institutional pressures leading to SOSM practice adoption leading to capability-building*

Institutional pressures may lead to the adoption of specific SOSM practices which may then influence the development of broader capability-building efforts. Where this interaction occurs, it is likely to be related to regulatory coercive pressures because this enforces practices, and organisations may then recognise the potential to develop further capabilities. For example, this interaction can be seen in New Look's response to the Carbon Reduction Commitment, which has led to a recognition of further capabilities which may be developed in relation to the reduction of internal environmental impacts, rather than simply the measurement of impacts. However, this type of interaction is rare largely because of the lack of regulation in the industry.

**Figure 30 Institutional pressures leading to SOSM practice adoption, leading to capability-building**



### **6.5 Academic implications/ contribution**

This study contributes to the sustainability literature by highlighting the separation of approaches and influences to ethical and environmental practice adoption which is in contrast to the increasing calls for research to consider an integrated or triple bottom line approach to sustainability (Elkington, 1994). The adoption of these practices should be comprehended separately before they can be understood collectively as sustainability, and the ethical dimension of sustainability in particular remains under-researched within the SOSM literature (Seuring and Müller, 2008). Within the UK fashion industry, the adoption of ethical and environmental practices are motivated by different factors and the subsequent nature of these practices also differ. Where ethical issues predominantly focus on governance practice adoption to support internal organisational capability-building and direct supply chain capability-building,

environmental practice adoption is currently more process-oriented and internally focused. This research also contributes to the literature by focusing on retail organisations and how they manage sustainability both internally and within the supply chain, whereas most existing studies have focused on manufacturing operations. The fashion sector is an important context for sustainability and if organisations within this complex industry find it possible to implement sustainability practices, it is likely that other sectors will be able to as well (Forman and Jørgensen, 2004).

Motivating factors of sustainability practice adoption are typically considered atheoretically within the SOSM literature. In contrast this study uses two complementary theories to explore the endogenous and exogenous influences on the adoption of sustainability practices within the fashion sector. Whilst those studies that do utilise theory commonly adopt a single theoretical lens in order to investigate or explain certain behaviour, scholars increasingly see value in combining theories in research (Astley and Van de Ven, 1983). The theories utilised within this study are: institutional theory and resource-based theory. The simultaneous use of these two theories is rare within the OSM discipline (Ketchen and Hult, 2007; Clemens and Douglas, 2010). By combining these theories, the researcher has an opportunity to explore the interactions between the external pressures, explained through institutional theory, and internal capability development explained through resource-based theory (Zhang and Dhaliwal, 2009). This study is one of the first studies to combine institutional theory and resource-based theory in exploring the issue of sustainability within the fashion industry. This research helps to explore “issues related to the linkage of external pressures from institutional theory to internal capabilities such as those proposed by the resource-based-view” (Sarkis *et al.*, 2011, p8).

## **6.6 Managerial implications**

In relation to sustainability, this study allows organisations within the fashion industry to understand the interplay between exogenous pressures and endogenous resources. As such, it enables them to understand how complying with institutional pressures might benefit them in terms of reputation and legitimacy in regards to their stakeholders, but that these pressures are unlikely to drive improved efficiencies. This is evidenced from the governance practices which have emerged as a result of

institutional pressures, allowing the organisations to more closely monitor their suppliers. Organisations will need to focus on their internal capability-building and those of their suppliers in order to pursue competitive advantage, however. This is more likely to relate to environmental practice adoption at present since there are opportunities to improve efficiencies and reduce environmental impact concurrently. The pursuit of ethical practices may take longer to create competitive difference due to the increasing normative standards relating to governance. Where an organisation has limited resources (for example, time / money / employees), it may allow them to simply reach the accepted, normative standard for the industry rather than attempting to differentiate from competitors in this way.

The study also allows organisations within the sector to understand what sustainability practices their competitors are currently employing. It is important for managers or practitioners to understand what influences the adoption and implementation of practices and this study helps them to understand the endogenous and exogenous forces at work on sustainability practices. If practitioners can understand what normative behaviour exists within their industry, they can determine what resources (in terms of time, money and people) they are willing to devote to an area such as sustainability. This allows them to determine whether they wish to act in accordance with their industry (compliance) or exceed their competitors' performance in order to pursue competitive advantage. This study suggests that an awareness of institutional pressures does not ensure that the practices adopted by organisations are necessarily the most appropriate for businesses to pursue. If companies are aware of the fact that they or other companies pursue certain activities due to exogenous, institutional pressures and not for capability-building purposes, they can approach decision-making in a more informed manner. Firms need to see that satisficing institutional pressures does not create advantage and for some the logic of the resource-based theory can be useful in helping to see the potential of both ethical and environmental practice improvement to create advantage and not just competitive parity.

## **6.7 Research limitations**

This research has the traditional limitations of case-based research, but the trade-off of statistical generalisability and theoretical generalisability, along with the opportunity



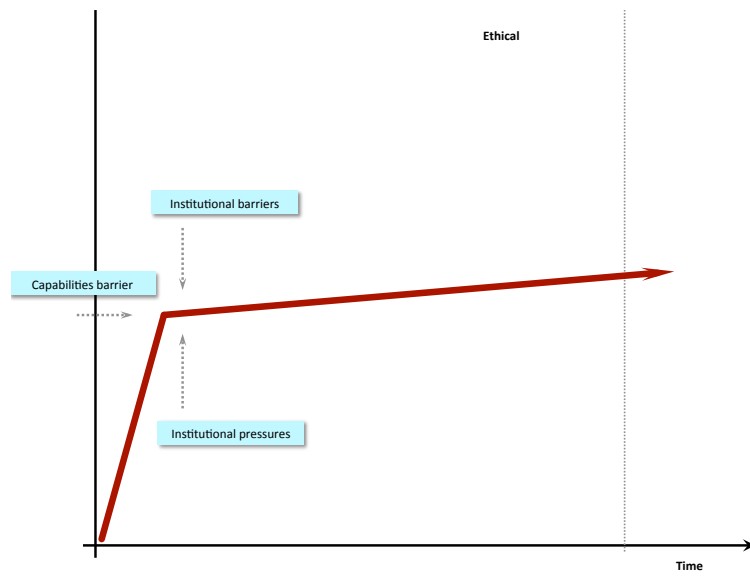
for richness and depth in an area of limited research, justifies the approach taken. For pragmatic reasons, this research focuses on fashion companies based in the UK but this provides an opportunity to explore the SOSM practices of fashion organisations in other countries where different regulatory conditions will affect the nature of the observable practices. Greater coercive pressures, for example in the form of regulation, will affect the extent to which organisations adopt ethical and environmental practices.

## **6.8 Future research**

This study has raised a number of issues that could valuably be explored in future research. Firstly, due to the nature of the influences on practice adoption, it would be pertinent to carry out a longitudinal study in order to explore the interactions of exogenous and endogenous pressures on SOSM practice adoption and strategy over time to understand how the dynamics work in a more nuanced manner. This would allow a greater understanding of the way that institutional pressures and capability-building complement or substitute one another in influencing organisational SOSM decision-making. For example, the relationship between capability-building and institutional pressures, as well as barriers caused by either of these elements could be explored in relation to ethical practice adoption. Figure 31 demonstrates a possible relationship in this case.

Secondly, since this research has focused on the fashion industry and identified a predominant focus on ethical practice adoption, a survey could be carried out in order to explore the nature of different industries and their focus on environmental and ethical practice adoption in relation to the different types of coercive pressures exerted on these: regulatory forces or market forces (reputational). This survey could examine the manifestation of coercive pressures and the practices they lead to. This would allow a consideration of the extent of homogeneity or heterogeneity.

Figure 31 Longitudinal interactions between capability-building and institutional pressures



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## Appendices

### Appendix 1: Pilot study interview guide

Name of company:

Background:

- What is your best-selling product? (Using the table provided below) can you describe its supply chain by referring to each of the stages? Please stress where there are practices that affect sustainability.
- Is this typical? Do you have any products that have a significantly different supply chain?
- (Using the table) which areas do you feel have the greatest negative environmental impact? (Using a score of 1 – 5 – provided)
- (Using the table) which areas do you feel have the greatest negative societal impact? (Using a score of 1 – 5 – provided)
- (Using the table) which areas do you feel have the greatest customer benefit? (Using a score of 1 – 5 – provided)
- (Using the diagram) which areas do you feel have the greatest benefit to your firm? (Using a score of 1 – 5 – provided)
- Why have you chosen to carry out these practices?
- In which areas do you feel you have faced the most obstacles / barriers to implementing sustainability? What were they? How have you overcome them?
- Where have you found sustainability easy to implement?
- What are the trade-offs between areas of supply chain impacts?

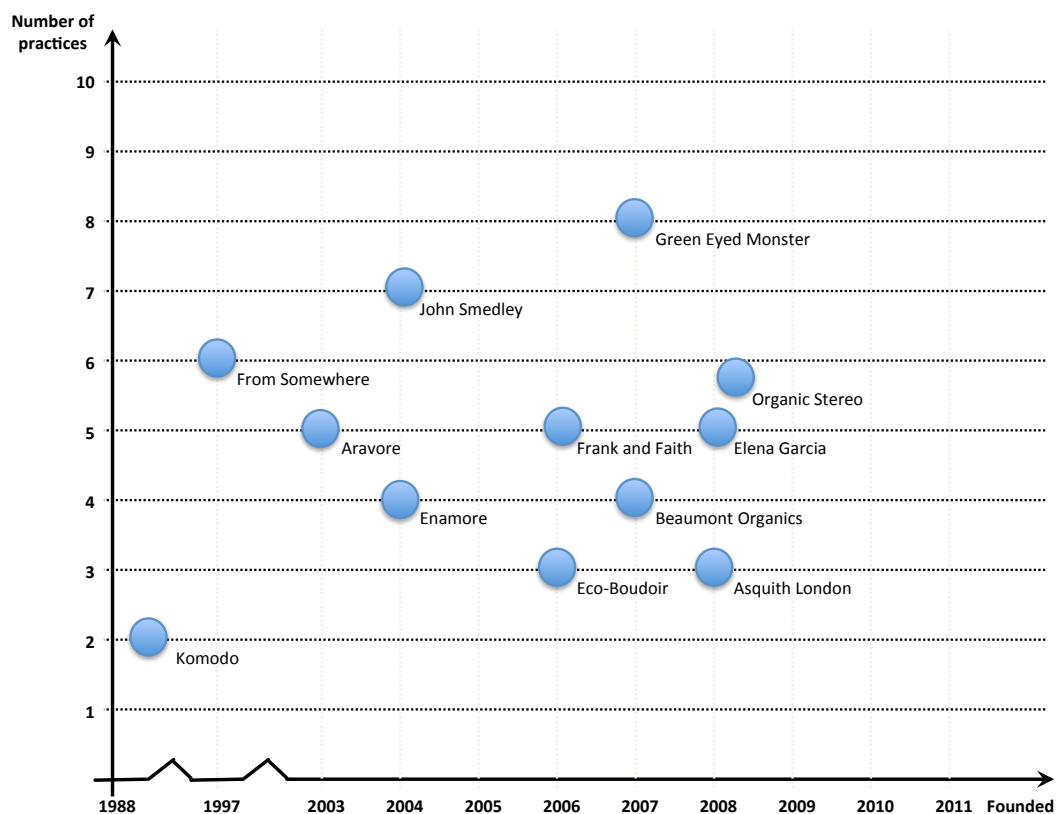
- What are the trade-offs between beliefs and practice?
- Where do you see the company in five years? What impact do you think this will have on sustainability practices?

Stage in supply chain	Benefit to customer or firm	Social impacts	Environmental impacts
Materials			
Design			
Manufacturing			
Packaging and distribution			
Retail			
Use / Post-use			

## Appendix 2: Pilot study findings

Figure 32 demonstrates the sustainability maturity of the twelve pilot study organisations by identifying the number of practices relating to ethical, environmental or sustainable behaviour carried out as well as the year in which the organisation began to focus on being sustainable in some way, usually the year in which they were founded. The two exceptions are John Smedley which decided to maintain their manufacturing within the UK in around 2004; and Asquith London which rebranded itself as organic in 2008.

Figure 32 Sustainability maturity of pilot study organisations



### Institutional pressures – pilot study organisations

This section explores the existence of institutional pressures – coercive, mimetic and normative – in relation to sustainability within twelve pilot study organisations (Table 20).

**Table 20 Institutional pressures for pilot study organisations**

	Coercive	Mimetic	Normative
Number	12	0	3
Organisation	Organic Stereo (OS) Komodo (K) John Smedley (JS) Green Eyed Monster (GEM) Frank & Faith (F&F) Enamore (E) Elena Garcia (EG) Eco-Boidoir (EB) From Somewhere (FS) Beaumont Organics (BO) Asquith London (AL) Aravore (A)	-	Komodo (K) Enamore (E) Beaumont Organics (BO)

### *Coercive pressures – pilot study organisations*

Table 21 summarises the main coercive pressures on the twelve pilot study organisations. Initial leadership commitment and the setting up of organisations, which are sustainable in some way, indicates the existence of coercive pressures around sustainability, created by cultural expectations.

**Table 21 Coercive pressures – pilot study organisations**

Organisation	Coercive
<i>Organic Stereo</i>	Leadership commitment – owner’s desire to create an organic brand due to having witnessed “first-hand manufacturing processes” and knowing “how hurtful to the environment the fashion industry is.”  “Even the public should know by now: no item of clothing can be ethically produced for the prices offered in these [high street] chains, it is a mathematical impossibility.”
<i>Komodo</i>	Leadership commitment - owner’s interest in developing countries and in creating ethically traded goods, a “fair deal” for all involved.
<i>John Smedley</i>	Leadership commitment – staying in the UK “is our strength, the core of the business.” We have “a very loyal customer” base. “There’s been a responsibility since the Victorian era” in terms of responsibility to the surroundings.
<i>Green-Eyed Monster</i>	Leadership commitment – “wanted to do something a bit more green and ethically-leaning” within the clothing industry.
<i>Frank and Faith</i>	Leadership commitment – “I have worked for 20 years for many huge corporate companies and have no interest to grow this business in to a monster as big as these greed driven businesses where money and profit is the most important thing....[aim to] make sustainable and ethical manufacturing the norm not the exception.”
<i>Enamore</i>	Leadership commitment – initially began using recycled materials for home projects and with Enamore “I was looking for something that was still ecologically friendly.” Products are “made in the UK. It’s a big deal to me and it’s a big deal to other people.” “The environmentally conscious companies benefit more from good, positive press coverage.”
<i>Elena Garcia</i>	Leadership commitment – “Like you, we are concerned about the welfare of our planet...we have a responsibility to do what we can to preserve our world, so we source locally whenever possible, and we only use fabrics that are rapidly renewable and pesticide-free.” <a href="http://www.elenagarciastudio.com/ecocredo.html">http://www.elenagarciastudio.com/ecocredo.html</a>

<i>Eco-Boudoir</i>	Leadership commitment – interest in sustainability and the “use of organic material.”
<i>From Somewhere</i>	Leadership commitment - “Nothing necessarily at the time was an environmental choice, it was entirely a creative choice...there was no way ...I could afford the quality of those fabrics” if they had not been pre-consumer waste. “We were approached by an Italian manufacturer...to give us some garments, literally some leftover cashmere and things.” “Something amazing and beautiful shall not be thrown away and has a potential for being reused.”
<i>Beaumont Organics</i>	Leadership commitment – “I think that having something that is a bit greener and a bit more earth-conscious was quite key to [B.O.] being more unique.” “The whole organic lifestyle concept is growing in the UK.”
<i>Asquith London</i>	Leadership commitment – rebranded as organic in 2008 due to a preference for “natural” fabrics and the processes used in conventional cotton farming. Growing supply to spa for whom “the message is important.”
<i>Aravore</i>	Leadership commitment – desire to create a sustainable business which would “benefit Paraguay.” Being organic “has to become mainstream within 20, 50 years time.”

### *Mimetic pressures – pilot study organisations*

None of the organisations referred to a mimetic pressure to be an ethical or environmentally friendly clothing retailer.

### *Normative pressures – pilot study organisations*

Table 22 summarises the main normative pressures on the twelve pilot study organisations. Three of the organisations referred to normative pressures such as the increasing existence of certified factories, and the wider availability of sustainable materials.

**Table 22 Normative pressures – pilot study organisations**

<b>Organisation</b>	<b>Normative</b>
<i>Komodo</i>	Increased certification over time means it is easier to use certified factories Increased number of eco-retailers although “it’s a hard sell still.” Organic prices are decreasing.
<i>Enamore</i>	“There’s lots of different suppliers doing all different types of natural, organic, and sustainable fabrics.”
<i>Beaumont Organics</i>	Organic fabrics are a lot more “readily available” “I was in H&M and they’ve had an organic t-shirt...if they’re starting to do it then it has to filter through to all the other shops.”

### *Capability-building – pilot study organisations*

This section explores the existence of three types of capability-building in relation to the 12 pilot study organisations – product and process sustainability management capability-building; organisation sustainability management capability-building; and inter-organisational sustainability management capability-building (incorporating

indirect supply chain, direct supply chain, and external relationships) in relation to twelve pilot study organisations.

### *Intra-organisational capability-building – product and process*

#### **Use of sustainable materials**

All of the organisations referred to the use of sustainable materials. These referred to:

- Organic fabrics – this tends to refer to organic cotton. Eight of the twelve organisations use organic materials.
- Certified fabrics – this refers to explicit accreditation in relation to the material sourcing. Two of the twelve organisations use explicitly certified materials.
- Fair trade materials – this refers to ethically produced materials. One of the twelve organisations uses explicitly fairly traded materials.
- Alternative materials such as bamboo, hemp, soya, bio-dynamically farmed silk. Five of the twelve organisations use alternative sustainable materials.
- Pre-consumer waste – this refers to using the material wasted by other organisations and using the offcuts to produce new garments. One of the twelve organisations uses pre-consumer waste .

<b>Material</b>	<b>Illustrative quotes</b>
Organic	Products are made of “100% organic cotton.” (OS)
Certified	Use of certified merino wool “sourced from specific farms in New Zealand.” ZQUE accredited. (JS)
Fair trade	Use of “fairly traded” alpaca (GEM)
Alternative	Use of “fabrics undyed from eco-fabrics suppliers” (EG) Use of “bio-dynamic farming” for silk (EB)
Pre-consumer waste	Use of “pre-consumer waste” – “literally offcuts” (FS)

#### **Use of sustainable dyes**

Three of the organisations referred to the use of environmentally friendly dyes stating that garments are “finished under Oektex 100 Standards” (F&F) or “All dyes are chlorine free, prints are water-based and pvc-free” (OS), for example.

#### **Use of sustainable embellishments**

Four of the organisations referred to the use of sustainable embellishments. This could relate to beading (GEM), to buttons (F&F, OS), to trims (AL). For example, “the

buttons are made from 70% recycled paper” (OS) or “all components in our garments are 100% sustainable, from recycled kimballs to coco nut and shell buttons.” (F&F)

### **Classic design**

One of the organisations referred to classic design in terms of sustainability. This refers to the fact that “from a design point-of-view ... we have this continuity of product so ... there’s a fashionable unfashionability about it” (JS). The products are not positioned as highly fashionable but instead as quality pieces that will have longevity in terms of durability and appearance.

### **Use of sustainable packaging**

Eight of the organisations referred to the use of sustainable packaging. This largely relates to recycled packaging: “All our packaging is recycled, recyclable and non-bleached” (GEM), “we buy recycled tissue paper” and have used “recycled gift boxes” (E) and “recycled card for your swing tags...is readily available” (BO), for example. Plastic packaging can also be sustainable: “The products are packaged in recycled card and with biodegradable plastics” (EB) and another organisation uses “biodegradable cellophane” (A). Finally packaging can be minimised: “We don’t package as far as we’re concerned at the moment” and “we send our orders in cardboard boxes which we’ve saved.” (FS)

### **Re-design**

One organisation referred to re-design, taking existing materials and reworking them into new garments. Therefore the design stage emerges from what “pre-consumer waste” (FS) the organisation has at the time.

### **Process efficiencies**

One organisation referred to efficiencies. Due to the Victorian legacy of the organisation, the main factory was built “in a position to maximise daylight and heat.” (JS)

### **Recycling**

One organisation referred to recycling as a process not related to packaging the product: “I reuse all bubble pack, envelopes etc.” (E)



### *Intra-organisational capability-building - organisation*

#### **Apprenticeships**

One organisation referred to the creation of apprenticeships: “We’ve found that the people we do get in at a young age that we train...like modern day apprenticeships...are the most successful.” (JS) This is important since the organisation wishes to keep its manufacturing within the UK and it is crucial for them to have trained employees who they can retain.

### *Inter-organisational capability-building (direct supply chain, indirect supply chain, external relationship)*

#### **Use of specialist/ small factories**

Three of the organisations referred to the use of specialist or small factories. For example, “the clothes are manufactured by a factory which specialises in organic clothing.” (OS) Small factories were pointed positively by one organisation: “it’s 35 women sitting in a lovely airy factory” (GEM) and another organisation has a central workshop in Paraguay covering knitting, fabrics and crochet/ finishing which has a “sense of community.” (A)

#### **Greener distribution**

Six organisations referred to the use of environmentally friendly distribution. This tends to relate to the use of trucks: “It’s not air-freighted, it’s trucked” (GEM), yarn is “trucked to UK” and cotton is sourced from “the nearest source possible to the UK, Turkey” (F&F), recuperating from a specific area means that “one truck can pick up from all” (FS), “from manufacturing it all comes to England by truck” (BO) or from the use of shipping instead of air freight: one organisation bulk ships to “cut on shipping emissions.” (OS) and another organisation states that products are “shipped by the most economical and environmental means. If they can be shipped, they’ll be shipped.” (JS)

#### **Near shore production**

Five organisations referred to the use of near shore production. Three of these manufacture in Portugal (OS, GEM and BO) and this can be attributed to the fact that “it kept our carbon footprint low.” (GEM) Another organisation has its manufacturing carried out in Italy, and another in Turkey. This means that it is easier to oversee

production conditions: “I literally go to the factories ...and see how they’re working and it’s very nice.” (BO)

#### **Factory certification**

One organisation referred to explicit ethical certification of the factories it uses. They have carried out certification of one factory assisted by the organisation Made-By but certification tends to be an “on-going process.” (K)

#### **Made in UK**

Five of the organisations referred to manufacturing in the UK (JS, F&F, E, EG and EB). This means it is easier to oversee production: “In Wales I can go and see what’s going on.” (E)

#### **Use of cooperatives/ social enterprises**

Three of the organisations referred to the use of cooperatives or social enterprises. One of these focuses on UK production: “We make the clothes in London, using small manufacturing units and social enterprises.” (EG) A second focuses on cooperatives in Italy which support people with physical or emotional difficulties: “The cooperative is run by a local non-profit organisation and it helps to rehabilitate disabled and disturbed people into work.” (FS) The third sources fairly traded alpaca from Peru, where “it’s a village co-operative so the whole village gets involved in the manufacturing of the clothes.” (GEM)

#### **Use of cooperatives/ social enterprises**

One organisation referred to the use of cooperatives at an earlier stage in the supply chain. They work with farming cooperatives in Paraguay and an organisation called Aratex SA organises the cooperatives. (A)

#### **Use of cooperatives/ social enterprises**

Two organisations referred to external relationships. For example, “We also work with charities and social enterprises whenever possible in order to get local communities involved.” (EG) The second organisation works with a local NGO to provide training in e.g. accountancy (A), allowing its workers to develop further skills.

### Summary of capability-building in pilot study organisations

Table 23 summarises the areas of capability building in the twelve pilot study organisations.

**Table 23 Capability-building – pilot study organisations**

Practices	Intra-organisational		Inter-organisational		
	Product and process sustainable management capability-building	Organisation sustainable management capability-building	Direct-, indirect, and external relationship sustainable management capability-building		
<i>Use of organic/ environmentally friendly/ recycled sustainable materials</i>	OS K JS GEM F&F E EG EB FS BO AL A				
<i>Use of environmentally friendly/ sustainable dyes</i>	OS GEM F&F				
<i>Use of environmentally friendly/ sustainable embellishments</i>	OS GEM F&F AL				
<i>Classic design</i>	JS				
<i>Use of environmentally friendly/ sustainable packaging</i>	JS GEM E EG EB FS BO A				
<i>Re-design</i>	FS				
<i>Efficiencies</i>		JS			
<i>Recycling</i>		E			
<i>Apprenticeships</i>			JS		
<i>Use of specialist/ small factory</i>				OS GEM A	
<i>Greener distribution</i>				OS JS GEM F&F FS BO	
<i>Near shore production</i>				OS GEM FS BO AL	
<i>Factory certification</i>				K	

<i>Made in UK</i>			JS F&F E EG EB		
<i>Use of cooperatives/ social enterprises</i>			GEM EG FS	A	EG
<i>Work with local NGO</i>					A

### Interactions – pilot study organisations

Table 24 shows the interactions between institutional pressures and capability-building in the twelve pilot study organisations.

**Table 24 Interactions – pilot study organisations**

	Coercive pressures leading to capability development	Coercive and normative pressures leading to capability development	Capabilities leading to coercive pressures leading to further capability development
<i>Organic Stereo</i>	x		
<i>Komodo</i>		x	
<i>John Smedley</i>			x
<i>Green-Eyed Monster</i>	x		
<i>Frank and Faith</i>	x		
<i>Enamore</i>		x	
<i>Elena Garcia</i>	x		
<i>Eco-Boudoir</i>	x		
<i>From Somewhere</i>	x		
<i>Beaumont Organics</i>		x	
<i>Asquith London</i>	x		
<i>Aravore</i>	x		

### Interaction between pressures and capabilities

The dominant pattern shown within these pilot study organisations is the existence of coercive pressures, those of cultural expectations, illustrated by the existence of leadership commitment to sustainability in some form. For example, “Even the public should know by now: no item of clothing can be ethically produced for the prices offered in these [high street] chains, it is a mathematical impossibility.” (OS) and “Like you, we are concerned about the welfare of our planet...we have a responsibility to do what we can to preserve our world, so we source locally whenever possible, and we only use fabrics that are rapidly renewable and pesticide-free.” (EG) These pressures drive organisations to develop capabilities in regards to the product – through the use of organic, fair trade or alternative material - and the direct supply

chain – through manufacturing in the UK, near shore manufacturing or the use of cooperatives.

Two of the organisations demonstrate a stronger commitment to ethical trade. This is through the use of ethically certified factories (K); and a commitment to benefitting Paraguay (A). Six of the organisations demonstrate a stronger commitment to environmental issues, often demonstrated through the use of organic or alternative materials. Four of the organisations demonstrate a more balanced commitment to both.

### Appendix 3: Main study interview guide<sup>41</sup>

- Can you briefly describe your role/ responsibility at xxxx? (e.g. when role began, number in team, management role etc).
- What does sustainability mean:
  - To you?
  - Your role?
  - Your organisation?
- How is the sustainability/ ethical/ environmental agenda shared within the organisation?
- What is a standard or commodity product for this organisation? What does its supply chain look like? Please describe using the supply map provided
- What practices within the supply chain relate to sustainability?
- For each practice, please describe the practice (with further prompting around dates and motivations)
- For a different supply chain, would the sustainability aspects be different? If so, how?
- Within the decision-making process, where is sustainability primarily considered?
- What have been the easiest aspects of sustainability to implement?

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<sup>41</sup> Please note this interview guide was modified to a small extent depending on the interviewees. Some had very specific roles and responsibilities and therefore the interview had to be more focused to cover their expertise. Also, further elaboration was sought throughout the interviews to get sufficient detail.

- What have been the key challenges?
- Would it be ok to contact you directly if I have any follow-up questions?  
(Email address) Would it be possible to interview you again if necessary? Who else do you think it would be relevant/ useful for me to speak to?

#### Appendix 4: Key to practice and interaction figures



- Environmental practice



- Ethical practice



- Sustainability practice



- Institutional pressures for environmental practices (For interactions figures)



- Institutional pressures for ethical practices (For interactions figures)



- Institutional pressures for sustainability practices (For interactions figures)